



United States Department of Agriculture

OFFICE OF INSPECTOR GENERAL

# Semiannual Report to Congress

## First Half

## October 1, 2018–March 31, 2019



Fiscal Year 2019

Number 81

May 2019



# 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

I am pleased to provide this *Semiannual Report to Congress* (SARC), covering the 6-month period ending March 31, 2019. This report details the most significant achievements of the U.S. Department of Agriculture's (USDA) Office of Inspector General (OIG) during this period. Our office has worked extensively with the Department, Congress, and other Federal, State, and local agencies to accomplish our mission of ensuring the economy, efficiency, and integrity of the Department's programs and operations through the successful execution of audits, investigations, and reviews.

Like other Federal agencies, OIG was significantly affected by the 35-day partial government shutdown that began in December and continued through late January. The shutdown delayed both mandatory and discretionary work that OIG completes. For example, 35 audits planned to begin in fiscal year (FY) 2019 were delayed, and 1 was deferred to FY 2020. Furthermore, criminal investigators were only excepted, as necessary, to work on specific law enforcement activities that required immediate action. As a result, other matters were delayed. In addition, approximately 15 Office of Data Sciences (ODS) analytics projects were delayed by the shutdown. Upon resumption of funding, we worked to return quickly to normal operations. We anticipate that the shutdown will result in some delays in completing our work and reporting results.

During this 6-month period, our Office of Audit issued 16 reports that resulted in 111 recommendations and \$2.4 million in questioned/unsupported costs or funds to be put to better use. Our Office of Investigations reported 220 arrests, 175 indictments, and 249 convictions, as well as \$73.8 million in recoveries and restitutions. During this period, we also received 7,400 complaints through the OIG Hotline. Our Hotline is experiencing unprecedented increases in the number of incoming complaints received.

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

OIG provides independent audits and investigations focusing on issues such as the ongoing challenges of agricultural inspection activities, the safety of the food supply, homeland security, and information technology (IT) security and management. As part of this effort, OIG has recently completed its annual review of USDA compliance with the Federal Information Security Modernization Act (FISMA). While the Department continues to take positive steps to improve its IT security posture, many longstanding weaknesses remain. Of OIG's 67 recommendations to improve the overall security of USDA's systems made in FYs 2009–2017, 47 recommendations are complete and 20 are open—an improvement over the 27 open recommendations in FY 2017. However, our testing shows weaknesses still exist in six of the closed recommendations. We have also

issued eight new recommendations based on security weaknesses identified in FY 2018. USDA continues its work to bring its IT security into compliance with Federal standards.

OIG also investigates allegations of animal fighting. In a recent example of this case type, the former president and current member of the New York chapter of a Gamefowl Breeders Association was sentenced to 14 months in prison and 36 months of supervised release and ordered to pay a \$100 special assessment fee in December 2018. This case began when the New York City Police Department (NYPD) requested OIG assistance to investigate potential violations of the Animal Welfare Act (AWA) related to alleged cockfighting activities. Facebook and email accounts accessed via search warrants yielded information related to the activities of the co-conspirators associated with this investigation. On May 23, 2017, OIG agents and NYPD detectives executed a search warrant at the former president's residence and associated property, and on July 20, 2017, he was charged with conspiracy to possess, train, and buy roosters for participation in an animal fighting venture.

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

Many of OIG's audit and investigative resources are dedicated to helping ensure the integrity of USDA's programs. The Office of Audit has recently completed several reviews of the Summer Food Service Program (SFSP), which provides nutritious meals for children in low-income areas when school is not in session. During our review of five California SFSP sponsors, we found that the California State agency did not adequately assess sponsor eligibility or monitor sponsor compliance with program requirements. We found that two of the five sponsors were potentially ineligible to participate in SFSP. We also identified nine noncompliance issues for the five sponsors we reviewed, including the purchase of cars with SFSP funds. This occurred because the State agency lacked key SFSP application and review procedures that would help identify sponsor noncompliance. Further, 10 of 13 SFSP meal sites we visited improperly restricted public access, posted public notices that appeared to limit SFSP participation, and did not display the required nondiscrimination posters. The Food and Nutrition Service (FNS) generally agreed with our recommendations to strengthen oversight of sponsor compliance.

OIG investigates those alleged to have committed fraud while participating in USDA programs. After an audit determined that a particular warehouse in Wisconsin had a shortage of grain, the Farm Service Agency (FSA) initiated a liquidation of grain inventory in order to protect grain depositors and then referred this matter to OIG for investigation. As a USDA-licensed grain storage warehouse, this warehouse was required to abide by the U.S. Warehouse Act, which requires that each licensed warehouse operator issue official warehouse receipts for all eligible product stored in the warehouse. The investigation determined that the warehouse was issuing fraudulent warehouse receipts to financial institutions in order to obtain millions of dollars in lines of credit. By issuing these fraudulent receipts to financial institutions, the warehouse was able to hide its grain deficiency from USDA during regular inspections. On November 5, 2018, the chief financial officer of this warehouse was sentenced to 24 months in prison, followed by 24 months of supervised release, and ordered to pay

a \$100 special assessment fee and \$13.2 million in restitution, jointly and severally with the warehouse owner. In May 2017, the owner of the warehouse was sentenced to 36 months in prison and 36 months of supervised release and ordered to pay a \$100 special assessment fee.

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

OIG's audits and investigations focus on areas such as improved financial management and accountability, research, real property management, and employee integrity. In response to a request from Members of Congress, OIG provided oversight for the Forest Service's (FS) Pacific Southwest Region (Region 5) as it addressed concerns about sexual harassment or retaliation against employees who alleged mistreatment. In February 2019, we issued our final audit report, which evaluated whether the actions FS took in response to complaints of sexual misconduct and sexual harassment: (1) were effectively implemented as outlined in the joint agreement with USDA; and (2) sufficiently addressed workplace concerns. We had no findings for the first objective. For the second objective, we reviewed 11 cases where sexual harassment and sexual misconduct were substantiated in FS' Region 5. We found two cases, and likely a third, in which former supervisors did not inform FS hiring officials about employees' prior histories. We also reviewed intake forms for 125 complaints of sexual harassment and sexual misconduct, and we found that 18 of these cases were not reported by FS managers and supervisors within the required 24-hour timeframe. In addition, we found that, in 13 of these 18 cases, FS took no action against management officials who did not timely report these allegations. FS generally agreed with our findings and recommendations to correct these issues.

A recent investigation resulted in the sentencing, on March 12, 2019, of a former General Schedule (GS) 15-grade research chemist to 10 months in prison and 12 months of supervised release. He was also ordered to pay a \$5,100 special assessment fee. On April 3, 2018, the Agricultural Research Service (ARS) forwarded an employee complaint to OIG which alleged that a chemist employed by ARS had been sexually assaulting subordinate female staff members for several years. Within 16 days after receiving the initial complaint, OIG special agents corroborated the allegations of sexual assault. On April 18, 2018, the chemist was indicted, and on November 26, 2018, the chemist pled guilty to one count of abusive sexual contact. The chemist resigned on December 8, 2018.

Without the dedicated work and commitment of OIG's professional staff, these accomplishments would not have been possible. We would also like to thank USDA's staff for their assistance and cooperation with our oversight work. Finally, we appreciate the continuing interest and support of USDA Secretary Sonny Perdue and Deputy Secretary Stephen Censky, as well as key Congressional Committees and Members of Congress.



**Phyllis K. Fong**  
**Inspector General**

## REPORTS

**GOAL 1**  
**Safety and**  
**Security**

**3**

Final  
Reports



**GOAL 2**  
**Integrity of**  
**Benefits**

**3**

Final  
Reports



**GOAL 3**  
**Management**  
**Improvement Initiatives**

**10**

Final  
Reports



**16**

final reports  
issued

**96**

program improvements

**15**

monetary

**111 recommendations**

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

# ACTIVITIES SUMMARY

## RECOMMENDATIONS AT REPORT ISSUANCE

### GOAL 1

12 program improvements  
0 monetary

### GOAL 2

52 program improvements  
13 monetary

### GOAL 3

32 program improvements  
2 monetary

While many recommendations involve monetary amounts, others 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.

## AUDIT TOTAL DOLLAR IMPACT

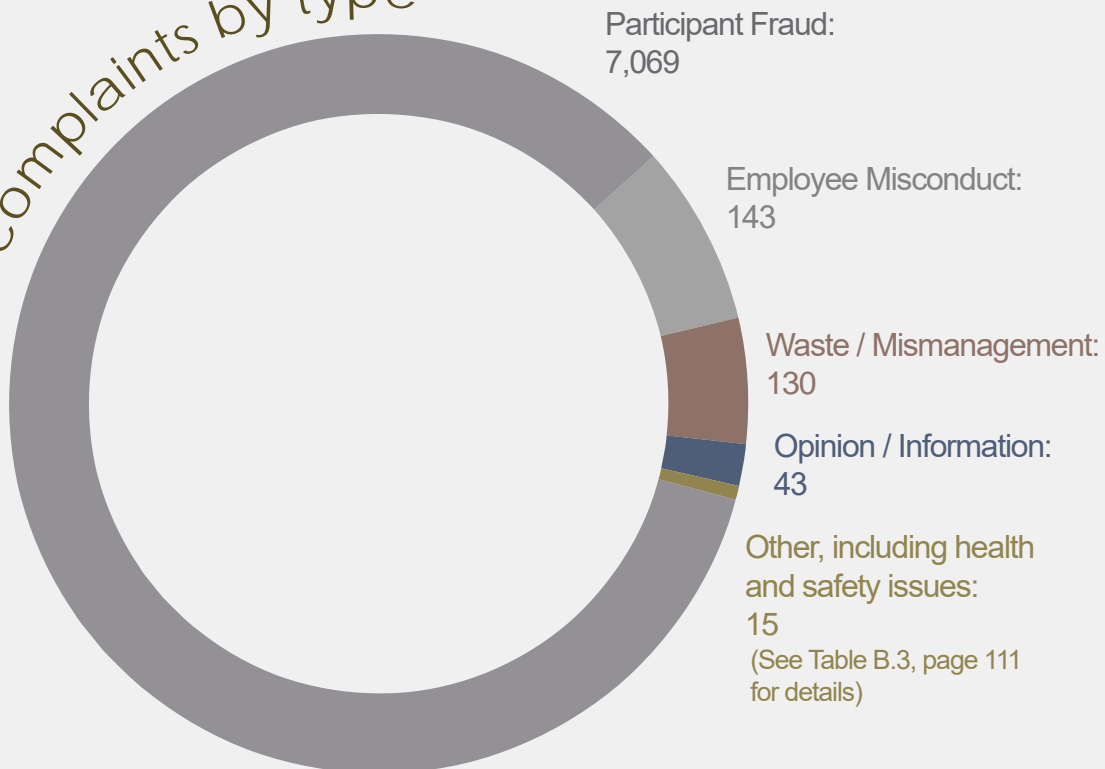
# \$2.4 million

(Refer to p. 62 for dollar breakdown)

## Hotline Complaints

During this reporting period, the Hotline received **7,400** complaints, including allegations of participant fraud, employee misconduct, mismanagement, safety issues, bribery, reprisal, and opinions about USDA programs.

Hotline complaints by type





# ACTIVITIES SUMMARY



175

INDICTMENTS



249

CONVICTIONS



220

ARRESTS



68

REPORTS ISSUED

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## INVESTIGATIONS TOTAL DOLLAR IMPACT

**\$73.8 million**

(Refer to p. 109 for dollar breakdown)

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## GOAL 1

# SAFETY AND SECURITY

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

*OIG provides independent audits and investigations 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.*



**21%** of total direct resources devoted to Goal 1

**93.7%** of these resources assigned to critical-risk and high-impact work

## AUDIT



**3**  
reports issued  
(3 final, 0 interim)



**12**  
recommendations

## INVESTIGATIONS



**50%**  
of closed cases  
resulted in  
action



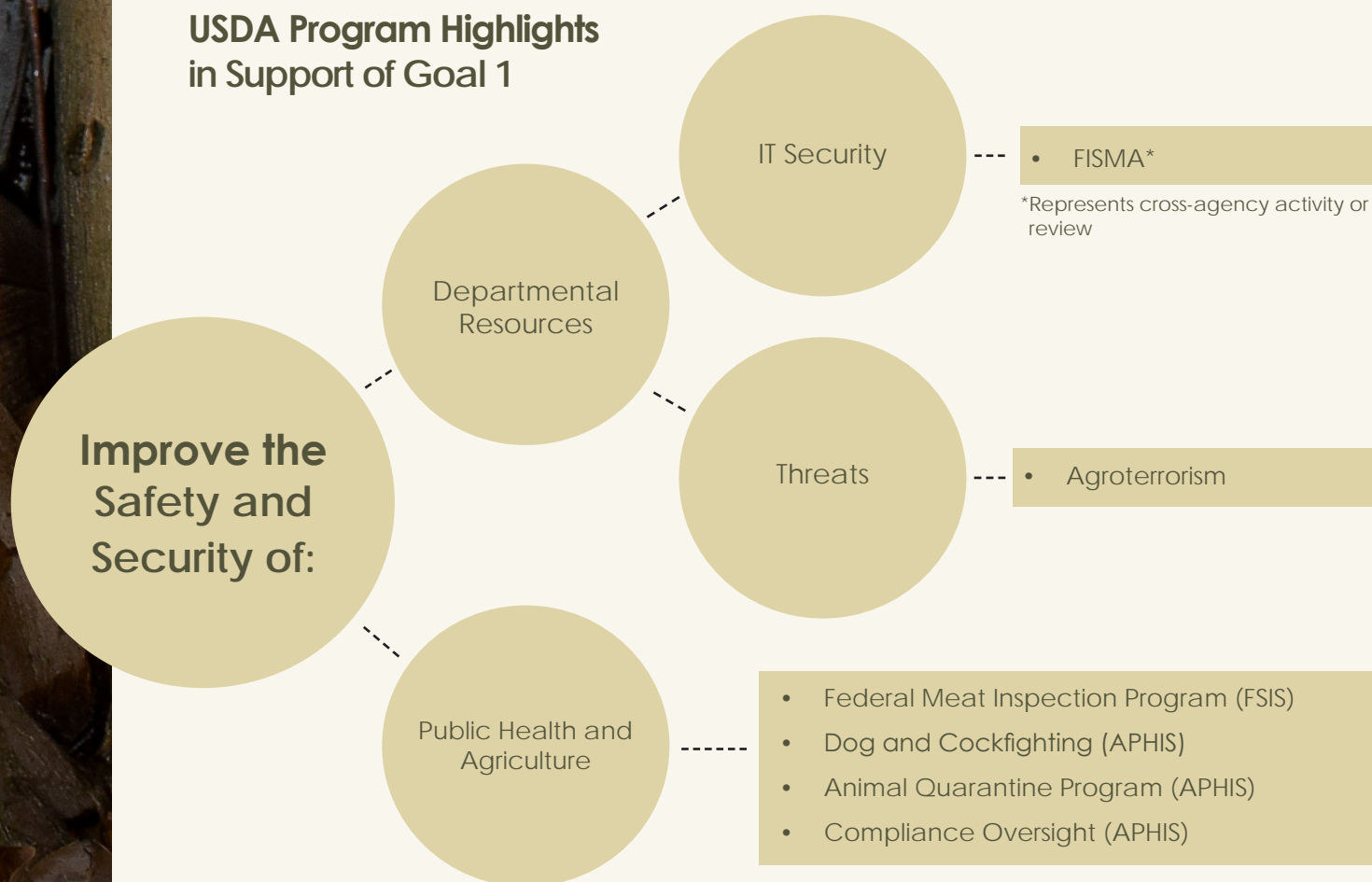
**24**  
indictments



**19**  
convictions

**\$1.1 million** in monetary results

## USDA Program Highlights in Support of Goal 1





# GOAL 1

## Examples of Audit and Investigative Work for Goal 1

### **USDA, Office of the Chief Information Officer, FY 2018 FISMA**

USDA continues to take positive steps to improve its IT security posture, but many longstanding weaknesses remain. Of OIG's 67 recommendations to improve the overall security of USDA's systems made in FYs 2009–2017, 47 recommendations are complete and 20 are open—an improvement over the 27 open recommendations in FY 2017. However, our testing shows weaknesses still exist in six of the closed recommendations. We have also issued eight new recommendations based on security weaknesses identified in FY 2018.

The Office of Management and Budget (OMB) establishes standards for an effective level of security and considers “Managed and Measurable,” or Level 4, as a sufficient level of security. However, since we found the Department's maturity level to be at the lower “Defined” level, or Level 2, the Department's overall score indicated an ineffective level of security, based on OMB's criteria. The Department and its agencies must also develop and implement an effective plan to mitigate security weaknesses identified in recommendations from prior years.

Due to existing security weaknesses identified, we continue to report a material weakness in USDA's IT security that should be included in the Department's Federal Managers Financial Integrity Act report. The Department stated it had developed corrective actions and project plans to address prior year recommendations. OIG is working with the Department to agree on corrective actions for this year's recommendations.

(Audit Report 50501-0018-12)

### **Food Safety and Inspection Service's Oversight of the New Poultry Inspection System**

On August 21, 2014, the Food Safety and Inspection Service (FSIS) amended its poultry products regulations by promulgating the Modernization of Poultry Slaughter Inspection Final Rule. This new rule mandates that all poultry establishments take steps to prevent contamination, instead of reactively addressing contamination after it occurs. The final rule also provides an opportunity for establishments to convert to the New Poultry Inspection System (NPIS), a new inspection system for young chicken and all turkey slaughter establishments.



# SAFETY AND SECURITY



USDA's Food Safety and Inspection Service's mission is to protect public health by ensuring the safety of meat, poultry, and processed egg products.

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

In general, we found that FSIS is following its policies and procedures to implement NPIS as established in its Modernization of Poultry Slaughter Inspection Final Rule. However, when FSIS promulgated the final rule, it did not clarify when NPIS would be “fully implemented on a wide scale” so that the agency could properly evaluate the effectiveness of this new program. Without a proper evaluation of NPIS’ impact, FSIS cannot provide stakeholders with information regarding the program’s effectiveness or obstacles impeding NPIS’ acceptance within the industry. FSIS concurred with our finding and recommendations. (Audit Report 24601-0006-31)

## **FSIS’ Compliance with Requirements for Written Recall Procedures**

A Federal regulation states that each meat product establishment must prepare and maintain written procedures for the recall of any meat, meat food, poultry, or poultry product it produces and ships. Further, the regulation states that these written procedures must specify when and how the establishment will conduct a product recall.<sup>1</sup> FSIS guidance states that

<sup>1</sup> 9 C.F.R. §418.3.

inspectors are to verify that establishments have written recall procedures and to document such results in the Public Health Information System (PHIS).<sup>2</sup> Our audit focused on FSIS' guidance and how inspectors followed that guidance.

We found that FSIS' verification controls were sufficient to assess whether the establishments' written recall procedures specified how the establishment will decide to conduct a recall and how the recall will occur. However, we determined FSIS' oversight controls can be strengthened. Specifically, we found that inspectors verified only 38 percent of the 5,451 establishments required to have written recall procedures for 2017. This occurred because FSIS lacked adequate management oversight to ensure inspectors' compliance with verification requirements and that the inspectors' results were recorded in PHIS. FSIS concurred with our finding and recommendations. (Audit Report 24601-0003-22)

### **Meat Processing Worker in Wisconsin Sentenced for Tainting Sausage**

On December 3, 2018, in U.S. District Court, Eastern District of Wisconsin, a meat processing plant contract worker was sentenced to 54 months in prison and 36 months of supervised release and ordered to pay a \$100 special assessment fee and \$42,035 in restitution. An OIG investigation found that the employee intentionally tampered with meat products at a meat processing plant. On three different occasions, the employee placed foreign objects such as cigarette paper, a wire connector, and a different meat into sausage links or patties.

### **Ex-President of New York Bird Breeder Association Sentenced for Animal Fighting**

On December 13, 2018, in U.S. District Court, Southern District of New York, the former president and current member of the New York chapter of a Gamefowl Breeders Association was sentenced to 14 months in prison and 36 months of supervised release and ordered to pay a \$100 special assessment fee. The jury found him guilty of conspiracy to violate the AWA. In August 2016, the NYPD-Special Investigations Division's Animal Cruelty Investigation Squad requested OIG assistance to investigate violations of the AWA related to alleged cockfighting activities. Facebook and email accounts accessed via search warrants yielded information related to the activities of the co-conspirators associated with this investigation.

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<sup>2</sup> FSIS Directive 5000.8, *Verifying Compliance with Requirements for Written Recall Procedures* (Dec. 2013).

On May 23, 2017, OIG investigators and NYPD detectives executed a search warrant at the former president's residence and associated property and, on July 20, 2017, he was charged with conspiracy to possess, train, and buy roosters for participation in an animal fighting venture.

### **Five Michigan Residents Sentenced for Involvement in Dog Fighting Venture**

This investigation was initiated based upon a request from the U.S. Attorney's Office (USAO), Western District of Michigan. On December 7, 2017, personnel from OIG; the Bureau of Alcohol, Tobacco, Firearms, and Explosives; the Federal Bureau of Investigation (FBI); the U.S. Marshals Service; and the Michigan State Police served Federal search warrants in three Michigan towns—Wyoming, North Adams, and Hillsdale. The investigation identified five co-conspirators involved in the dog fighting venture. On February 14, 2018, the five men were indicted on various drug, animal fighting, and firearm possession charges. On April 18, 2018, a superseding indictment was filed charging them with conspiracy to commit an animal fighting venture.

On October 31, 2018, the first co-conspirator was sentenced in U.S. District Court, Western District of Michigan, to 46 months in prison and 36 months of supervised release and ordered to pay a \$100 special assessment fee and a \$2,000 fine. This sentence followed his guilty plea to the charge of conducting an animal fighting venture. On November 29, 2018, the second co-conspirator was sentenced to 30 months in prison and 24 months of supervised release and ordered to pay a \$200 special assessment fee for conspiracy to commit an animal fighting venture. On this same date, this same man was sentenced to 30 months in prison and 24 months of supervised release for being a felon in possession of a firearm. These sentences followed his guilty plea on two separate indictments. On December 17, 2018, the third co-conspirator was sentenced to 46 months in prison and 36 months of supervised release and ordered to pay a \$100 special assessment fee and a \$1,000 fine. This sentence followed his guilty plea on the superseding indictment for conspiracy to commit an animal fighting venture.

On January 7, 2019, the final two co-conspirators involved in this conspiracy were sentenced. The fourth co-conspirator was sentenced to 60 months in prison and 36 months of supervised release and ordered to pay a \$100 special assessment fee for conspiracy to commit an animal fighting venture. On this same date, he was also sentenced to 96 months in prison and 96 months of supervised release and ordered to pay a \$100 special assessment fee



OIG search warrants led to dogs used for fighting. The dogs were then turned over to the U.S. Marshals Service, which handled the seizure for the civil forfeiture process.

*Photos by OIG.*



for possession with intent to distribute 28 grams or more of crack cocaine. These sentences followed his guilty plea on two separate indictments. The fifth co-conspirator was sentenced to 24 months in prison and 24 months of supervised release and ordered to pay a \$100 special assessment fee. This sentence followed his guilty plea on a superseding indictment to possession of an animal for participation in an animal fighting venture.

### **California Corporation and Owner Sentenced for Falsely Stamping Heat-Treated Pallets**

On November 17, 2015, the Animal and Plant Health Inspection Service's (APHIS) Investigative and Enforcement Services requested an investigation of a potentially fraudulent International Standards for Phytosanitary



Measures stamp on several hundred wooden pallets collected at a pallet recycling facility in California. These stamps are designed to limit the spread of quarantined pests through international trade. The owner of the California wooden pallet manufacturing/recycling corporation admitted to purchasing a false stamp, using it to apply counterfeit stamps, and selling non-heat-treated wood pallets bearing counterfeit stamps as heat-treated pallets to customers in the United States.

On August 29, 2018, the owner pled guilty to one misdemeanor count of knowingly violating the Plant Protection Act,<sup>3</sup> resulting in a gain of more than \$40,000. The owner also pled guilty on behalf of the corporation to one felony count of mail fraud and the same misdemeanor count of knowingly violating the Plant Protection Act. On January 2, 2019, the owner was sentenced in U.S. District Court, Central District of California, to 60 months of probation and 3 months of home detention and ordered to pay a \$25 special assessment fee and a \$4,000 fine. In addition, the corporation was sentenced to 60 months of probation and ordered to pay a \$525 special assessment fee and \$54,937 in restitution.

### **California Resident Convicted of Organizing a Cockfighting Derby**

On December 17, 2018, in U.S. District Court, Eastern District of California, a Fresno resident was convicted of aiding and abetting an unlawful animal fighting venture and was sentenced to 24 months in prison, 36 months of supervised release, and 50 hours of community service. He was also ordered to pay a \$5,500 fine and \$6,278 in restitution. Additionally, he was banned from owning or possessing any animals for a period of 10 years.

In April 2017, the Fresno County Sheriff's Office investigated a large-scale cockfighting derby. At the derby, the same man, an organizer of the derby, was found in possession of \$22,800 and a score sheet. The seized funds were ultimately forfeited to the sheriff's office. He was subsequently arrested on various State animal fighting and cruelty charges. Afterwards, OIG was notified and a joint investigation was initiated.

In July 2017, during the execution of a search warrant at his residence, OIG investigators seized several items related to cockfighting, including over 300 gaffs, a tool used during the fights. Approximately 200 roosters were found on the property, where many of them were bred and conditioned to fight. On October 12, 2017, the case was transferred to Federal court,

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<sup>3</sup> 7 USC 7734(a)1(A).

OIG investigators found that the cockfighting derby organizer had approximately 200 roosters on his property. Many of these roosters were bred for fighting.

*Photo reprinted with permission of the Fresno County Sheriff's Office.*



where the individual was indicted on one count of aiding and abetting an unlawful animal fighting venture, one count of attending an animal fighting venture, and one count of unlawfully possessing animals for an animal fighting venture. Additionally, he agreed to surrender the remaining birds on his property to the Society for the Prevention of Cruelty to Animals. On July 16, 2018, he pled guilty to one count of aiding and abetting an unlawful animal fighting venture.

# GOVERNMENT-WIDE ACTIVITIES—GOAL 1

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

### **Federal Audit Executive Council Information Technology**

**Committee.** OIG auditors are members of the Federal Audit Executive Council Information Technology Committee, which discusses changes and provides feedback and input on draft IT policies and guidelines for the Federal Government, including: FY 2019 FISMA metrics; OMB's proposed Identity, Credential, and Access Management policy; and the Department of Homeland Security's Federal Incident Notification Guidelines. Additionally, the committee hosted a forum for IT auditors where panelists from five organizations shared their experiences building and running test labs that support their IT audit work.

**Human Trafficking and Crime Suppression.** In Virginia, an OIG investigator is supporting the Hampton Roads Human Trafficking Task Force spearheaded by Homeland Security Investigations (HSI). OIG investigators in Minnesota also participate on the Federal multi-agency victim/witness task force consisting of Federal agency members who protect crime victims and witnesses in the criminal justice process.

**Environmental Crimes.** In Colorado, New Jersey, and Washington, OIG investigators participate in Federal environmental crimes task forces and working groups. In Oregon, an OIG investigator participates in the Environmental Crime Working Group, commonly known as the "Green Team."

**FBI Joint Terrorism Task Forces.** In California, Ohio, and Oregon, OIG investigators are members of the FBI's Regional Joint Terrorism Task Force (JTTF). Working with other task force entities, JTTF members 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. In Seattle, Washington, an OIG investigator is a member of the Inland Northwest Intelligence Officers through JTTF. In Chicago, Illinois, an OIG investigator currently works part-time with JTTF to assist in the prevention, deterrence, and investigation of terrorist acts that affect the United States. In addition, this investigator's participation facilitates information sharing between JTTF and OIG.



**Anti-Terrorism/Counter-Terrorism Advisory Councils.** In Minnesota, an OIG investigator participates on 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. These efforts enable the disruption, prevention, and prosecution of terrorism.

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

OIG investigators continue to actively participate in the Central California Animal Fighting Working Group, along with investigators from: the FBI; the Bureau of Alcohol, Tobacco, Firearms, and Explosives; the U.S. Drug Enforcement Administration; the U.S. Postal Inspection Service; HSI; and local law enforcement partners. OIG investigators in California's San Bernardino and Sacramento areas are members of their local Animal Cruelty Task Forces. Additionally, in Minnesota, an OIG investigator continues to participate in the Minnesota Pest Risk Committee, which is composed of Federal, State, and local representatives who focus on the efforts used in Minnesota to intercept and control invasive plants, insects, and animals.

**U.S. Marshals Service Fugitive Task Forces.** OIG investigators in 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, as part of joint law enforcement operations, is to investigate and arrest persons who have active Federal and State warrants. In Arizona, an OIG investigator is a task force officer with the Violent Offender Fugitive Task Force that, in addition to providing assistance in locating fugitives, also provides help in serving warrants. Overall, this joint effort improves public safety and reduces violent crime.

*According to the Minnesota Department of Agriculture, the spotted lanternfly is an invasive insect on Minnesota's watch list. If the spotted lanternfly becomes established in Minnesota, it could impact grape, apple, and nursery production. See <https://www.mda.state.mn.us/node/1170>. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.*





# ONGOING REVIEWS

- » Storage and handling of commodities for international food assistance programs (Agricultural Marketing Service (AMS)),
- » National veterinary stockpile oversight (APHIS),
- » Controls to prevent mistreatment of animals used for researching parasitic diseases (ARS),
- » Controls over imported meat and poultry products (FSIS),
- » Cooperative Interstate Shipment Program (FSIS),
- » Controls over meat, poultry, and egg product labels (FSIS),
- » FY 2019 FISMA audit (Office of the Chief Information Officer (OCIO)),
- » Data encryption controls over personally identifiable information on USDA IT systems (USDA),
- » Improper usage of IT resources (USDA), and
- » USDA controls to prevent the unauthorized transfer of research technology (USDA).

*Under the Egg Products Inspection Act, the Food Safety Inspection Service has the responsibility to ensure egg products are safe for consumption. Our upcoming work will evaluate controls over meat, poultry, and egg product labels. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.*







## GOAL 2

# INTEGRITY OF BENEFITS

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*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 and entities. Some of the programs are among the largest in the Federal Government and support nutrition, farm production, and rural development.*



**37.2%** of total direct resources devoted to Goal 2

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

## AUDIT



**3**  
reports issued  
(3 final, 0 interim)



**65**  
recommendations

**\$1.4 million** in monetary results

## INVESTIGATIONS



**94%**  
of closed cases  
resulted in  
action



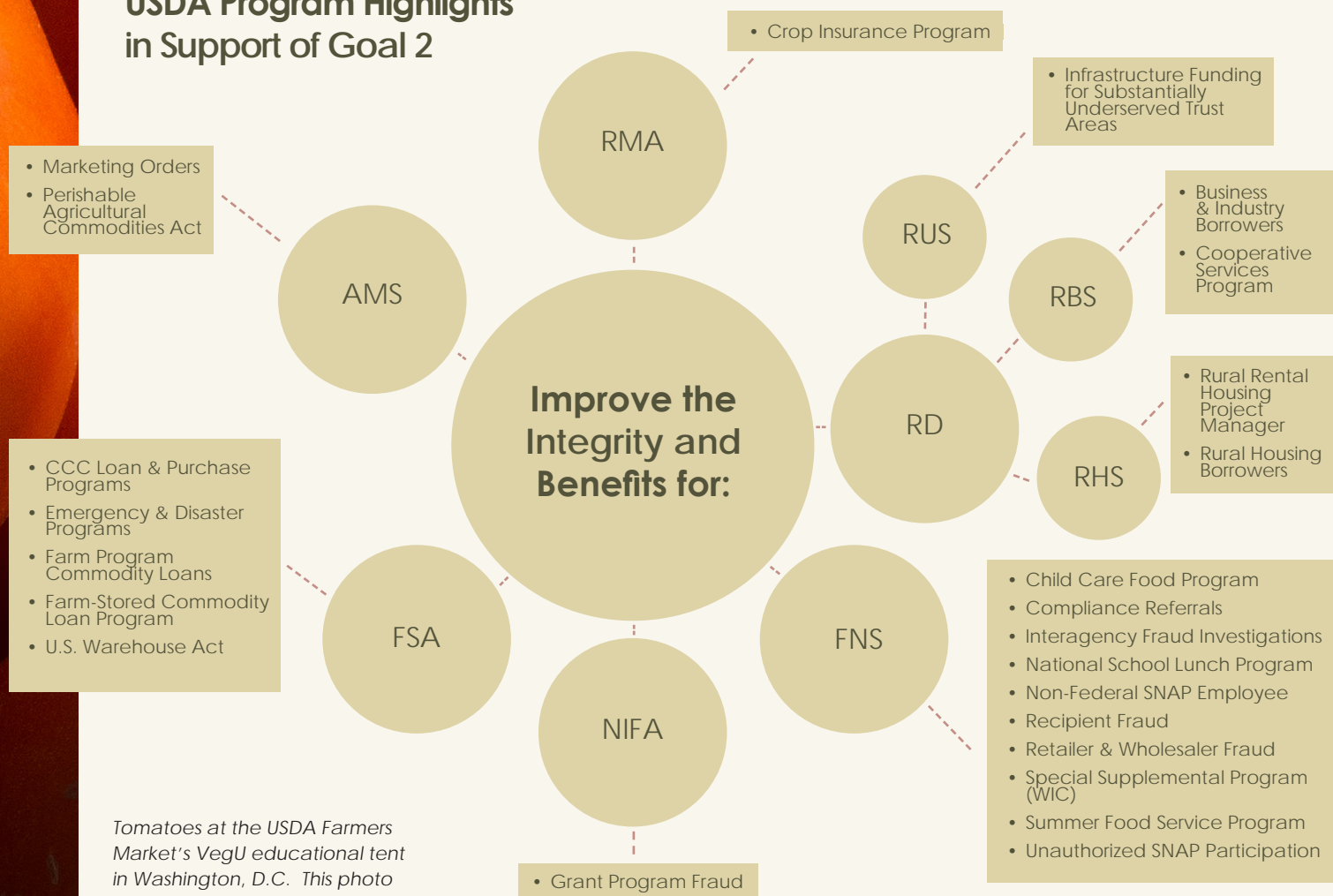
**148**  
indictments



**228**  
convictions

**\$72.7 million** in monetary results

## USDA Program Highlights in Support of Goal 2



*Tomatoes at the USDA Farmers Market's VegU educational tent in Washington, D.C. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.*

## GOAL 2

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

#### California's Controls Over SFSP

SFSP provides nutritious meals for children in low-income areas when school is not in session. During one year within the scope of our review, SFSP provided California more than \$20.5 million to serve approximately 8.5 million meals and snacks to needy children at more than 2,600 sites. Our review of five California SFSP sponsors found that the California State agency did not adequately assess sponsor eligibility or monitor sponsor compliance with program requirements.<sup>4</sup> We found that two of the five sponsors were potentially ineligible to participate in SFSP. We also identified nine noncompliance issues for the five sponsors we reviewed, including the purchase of cars with SFSP funds. This occurred because the State agency lacked key SFSP application and review procedures that would help identify sponsor noncompliance. In addition, we found that sponsors did not ensure their sites complied with regulatory or outreach requirements. Specifically, sites improperly counted 119 meals for reimbursement on the day of our site visits.

Further, 10 of 13 SFSP meal sites we visited improperly restricted public access, posted public notices that appeared to limit SFSP participation, and did not display the required nondiscrimination posters. This occurred because SFSP sponsors either lacked sufficient outreach oversight or issued unclear public notices. As a result, critical SFSP resources to support nutritious meals for children from low-income California households or areas could not be used as intended. FNS generally agreed with our findings and recommendations. (Audit Report 27004-0001-41)

#### Texas Controls Over SFSP

OIG audited the Texas State agency's controls for operating under SFSP requirements and sponsor and site compliance with those requirements.<sup>5</sup> We identified a number of issues related to how the State agency approves, monitors, and reimburses the meals these sponsors served.

- » The State agency approved sponsor meal site participation levels that exceeded the historical attendance at these sites. Because

<sup>4</sup> OIG published an interim report prior to this report: 27004-0001-41(1), *California's Controls Over Summer Food Service Program*, September 2017.

<sup>5</sup> OIG published an interim report prior to this report: 27004-0004-21(1), *Texas' Controls Over Summer Food Service*, September 2017.





# INTEGRITY OF BENEFITS



During a review of California Summer Food Service Program sponsors, an OIG audit team observed this locked gate that would prevent the public from accessing the site. Since these sites should be open to the public, operating them behind a locked gate violates program regulations.

*Photo by OIG.*

the State agency approved meal service levels that exceeded sponsors' historical operations, sponsors could, without further scrutiny, inflate the number of meals claimed and receive reimbursements for more meals than reasonable.

- » The State agency did not sufficiently monitor and evaluate the performance of its staff when it conducted administrative reviews. As a result, the State agency cannot ensure that its staff consistently identified issues of noncompliance. Consequently, we identified more than \$253,000 in questionable costs and

The Summer Food Service Program requires sponsors to adhere to USDA nutrition standards. However, the audit team observed that one Texas sponsor charged about \$4,000 for pudding, an unallowable cost according to program requirements.

*Photo by OIG.*



approximately \$28,000 in nonreimbursable meals in program year 2016.

- » The State agency reimbursed SFSP sponsors who did not operate some of their sites in accordance with SFSP regulations and requirements.

The issues OIG identified could impair program integrity and interfere with SFSP's ability to serve needy children during the summer months. FNS generally agreed with our findings and recommendations to correct these issues. (Audit Report 27004-0004-21)

### **SFSP in Texas—Sponsor Costs**

We reviewed eight potentially high-risk sponsors participating in Texas' SFSP and evaluated the adequacy of the Texas State agency's oversight of SFSP sponsors' claims and compliance with program regulations and policies.<sup>6</sup> Our audit identified multiple problems with FNS and the State agency's administration of SFSP:

<sup>6</sup> OIG published an interim report prior to this report: 27004-0003-21(1), *Summer Food Service Program—Texas Sponsor Costs*, September 2017.



- » All eight sponsors we reviewed were not compliant with SFSP requirements. Of the 702,953 total meals claimed in program year 2016 by the 8 sponsors, 217,040 (almost 31 percent) were ineligible for reimbursement.
- » Analysis of program year 2016 data identified 10 sponsors in Texas' SFSP who served ineligible meals at 16 sites.
- » The State agency had not developed a security plan to protect its software application and its stored SFSP data.
- » The State agency, without a comprehensive review, approved large cash advance payments to three of the eight potentially high-risk sponsors.
- » In FYs 2015 and 2016, FNS did not refer 10 of 15 sponsors who had been terminated to OIG for criminal investigation.

Overall, our audit identified over \$737,000 in total SFSP costs that consisted of unallowable meals, unallowable costs, unsupported costs, and other questionable reimbursements. Of the more than \$2 million in total reimbursement payments received by the 8 high-risk sponsors in program year 2016, 32 percent were for meals that were ineligible for reimbursement. FNS officials concurred with our findings and recommendations to correct these issues. (Audit Report 27004-0003-21)

### **Missouri Producer Sentenced for Conversion of Collateral on Multiple Farm Service Agency Loans**

On March 6, 2019, in U.S. District Court, Western District of Missouri, an FSA borrower was sentenced to 3 months in prison and 36 months of supervised release and ordered to pay \$109,775 in restitution after earlier pleading guilty to fraud using property mortgaged or pledged to farm credit agencies. This investigation was initiated after OIG received information that the borrower was arrested by the local sheriff's office for animal torture/mutilation. With the cooperation of the sheriff's office and the local livestock market, law enforcement seized 142 head of livestock on the borrower's property and transported them to the local livestock market for care and future sale. A total of 47 deceased cattle were documented on the borrower's property. The borrower had defaulted on two FSA operating loans and an FSA-guaranteed real estate loan from a private financial institution.

The investigation revealed that, from February 2015 through December 2017, the borrower knowingly sold livestock that did not belong to him and which were pledged as collateral to secure FSA loans. Furthermore, the investigation revealed that the borrower attempted to forge endorsements on an insurance check from the collapse of his barn to avoid turning proceeds over to FSA and the private financial institution. On May 10, 2018, in the Circuit Court of Wright County, Missouri, the borrower pled guilty to one felony count of forgery as a result of OIG's investigation, and one felony count of animal cruelty as a result of the Sheriff's investigation. He received a suspended sentence of 60 months in prison, with a court recommendation for a 120-day institutional treatment program.

### **Three Individuals in Texas Sentenced for Involvement in Bank Fraud**

On December 12, 2018, in U.S. District Court, Eastern District of Texas, the seller of two hotels was sentenced to 24 months in prison and 36 months of supervised release and was ordered to pay \$3.7 million in restitution, jointly and severally, with the broker and a Rural Business Service (RBS) loan recipient sentenced earlier. The seller was ordered to forfeit interest in assets totaling \$1 million. Special conditions of his sentencing require him to commence and maintain a listing agreement to sell three pieces of real property, the net proceeds of which will be applied to this restitution.

OIG's investigation began when the FBI provided information regarding an RBS loan recipient who obtained two loans from a Salt Lake City, Utah, bank in order to purchase two hotels. This individual purchased the first hotel, located in Tyler, Texas, with a \$2 million loan guaranteed by the Small Business Administration (SBA). He purchased the second hotel, located in Paris, Texas, with a \$4.6 million RBS-guaranteed loan. The broker, who was the loan recipient's cousin, submitted the financial verification documentation to the private bank on behalf of the loan recipient for both the SBA-guaranteed loan and the RBS-guaranteed loan. The investigation revealed that this documentation contained materially false information pertaining to the loan recipient's personal assets. The broker also introduced the loan recipient to the seller. The investigation revealed that this seller transferred money between accounts, creating the appearance that the loan recipient could satisfy the required cash injection on the RBS-guaranteed loan, when, in fact, he could not.

On September 16, 2015, the three individuals—the loan recipient, the seller, and the broker—were indicted on one count of conspiracy to commit bank



fraud and two counts of bank fraud. On March 29, 2017, the broker was found guilty of one count of conspiracy to commit bank fraud and sentenced to 78 months in prison and 60 months of supervised release and ordered to pay restitution totaling \$3.7 million, jointly and severally with the buyer. On January 30, 2017, the loan recipient was sentenced to 60 months of probation and ordered to pay \$3.7 million in restitution, jointly and severally. This restitution amount represents cumulative losses to USDA, SBA, and a specific bank.

### **Virginia Family Sentenced in \$8 Million Grant Fraud Conspiracy**

This joint investigation with the National Science Foundation OIG, Department of Energy OIG, Department of Transportation OIG, and the Internal Revenue Service-Criminal Investigation (IRS-CI) disclosed that several family members conspired to defraud several Federal agencies' Small Business Innovation Research (SBIR) grant programs, including USDA's NIFA. SBIR financially supports small business concerns through Federally-funded research and development intended to encourage competition, productivity, and economic growth.

Our investigation found that the family members made false material statements, fabricated letters of support and investment, and provided false information in research grant proposals and reports. Through these fraudulent efforts, they obtained roughly 30 grants totaling approximately \$8 million, including four applications submitted to NIFA for grant funds totaling \$650,000.

In February 2016, two brothers and the wife of one of the brothers were charged via criminal complaints and arrested. On February 2, 2018, one brother pled guilty to conspiracy, wire fraud, and monetary transactions in unlawfully derived property. On the same date, his wife pled guilty to conspiracy. On March 27, 2018, the second brother pled guilty on behalf of his company to a one-count bill of information charging false statements in exchange for all the charges against him personally being dismissed. He was ordered to pay a \$400 special assessment fee and forfeit any interest in property seized by the U.S. Government. On February 6, 2019, the first brother was sentenced in U.S. District Court, Western District of New York, to serve 33 months in prison; his wife was sentenced to 60 months of probation, to include 6 months of home detention. They were also ordered to pay \$5.5 million in restitution and to forfeit assets totaling the same amount.

### **Iowa Producer Sentenced in Crop Insurance Fraud**

On November 16, 2018, in U.S. District Court, Southern District of Iowa, a farmer was sentenced to 4 months of home confinement, 36 months of supervised release, and 160 hours of community service. He was also ordered to pay a \$100 special assessment fee, a \$5,000 fine, and \$32,440 in restitution. The Risk Management Agency (RMA) referred this case to OIG based on a hotline complaint it received in late 2015. The complaint alleged that the farmer was shifting crop production and making false statements on a crop insurance claim. The investigation confirmed that he shifted crops between two farms, resulting in a fabricated loss on one farm and an inflated crop yield on another. He also sold, in his son's name, crops that he did not disclose on his production reports. On July 6, 2018, the farmer pled guilty via a bill of information to one count of making false statements in connection with his Federal crop insurance benefits.

### **Chief Financial Officer and Owner of Licensed Wisconsin Warehouse Defraud Financial Institutions**

On November 5, 2018, in U.S. District Court, Eastern District of Wisconsin, the chief financial officer of a USDA-licensed warehouse was sentenced to 24 months in prison, followed by 24 months of supervised release, and ordered to pay a \$100 special assessment fee and \$13.2 million in restitution, jointly and severally, with the warehouse owner. In May 2017, the owner of the warehouse was sentenced to 36 months in prison and 36 months of supervised release and ordered to pay a \$100 special assessment fee.

After a September 9, 2013, audit determined that this particular warehouse had a shortage of grain, FSA initiated a liquidation of grain inventory in order to protect grain depositors and then referred this matter to OIG for investigation. As a USDA-licensed grain storage warehouse, this warehouse was required to abide by the U.S. Warehouse Act, which requires that each licensed warehouse operator issue official warehouse receipts for all eligible product stored in the warehouse. The investigation determined that the warehouse was issuing fraudulent warehouse receipts to financial institutions in order to obtain millions of dollars in lines of credit. By issuing these fraudulent receipts to financial institutions, the warehouse was able to hide its grain deficiency from USDA during regular inspections.

## **Michigan Bankruptcy and Crop Insurance Fraud Investigation Result in Numerous Convictions**

The USAO, Western District of Michigan, referred this crop insurance matter based on a bankruptcy fraud prosecution that involved a large-scale farm operation in southwest Michigan. During the bankruptcy fraud investigation, investigators from the U.S. Secret Service (USSS) and IRS-CI uncovered indicators of crop insurance fraud, which OIG and RMA then investigated.

During March 2015, three individuals were indicted in the Western District of Michigan on multiple charges, including: conspiracy; concealment of assets; false oaths and claims; bankruptcy fraud; false, fictitious, or fraudulent claims; false statements; false declarations before grand jury or court; and bank fraud. In May 2015, the three pled guilty and, in the following months, were sentenced to terms of probation and to pay \$30,000 in fines.

In December 2017, three additional individuals were indicted on charges of conspiracy to commit bankruptcy fraud, bank fraud, and crop insurance fraud. In August 2018, two of the individuals pled guilty to conspiracy to commit crop insurance fraud. The owner of the farm operation and his wife represented false information to private financial institutions in order to obtain a line of credit to extend their farming operation. They conspired with other farmers, landowners, and other co-conspirators to provide false information, in the form of multiple farming entities that did not exist, to the Federal Crop Insurance Corporation (FCIC) and its reinsurers in order to obtain crop insurance and FSA program payments. The owner continued to misrepresent the amount of grain he had in storage to the private creditors and the amount of land they farmed. In addition, he submitted false land leases and claims to the private banking institutions, FCIC, and its reinsurers in order to continue receiving the financial means to run their farming operation.

One of these individuals was sentenced in December 2018 to 13 months in prison and 24 months of supervised release and ordered to pay \$488,550 in restitution. In February 2019, the other individual was sentenced to 12 months and 1 day in prison and 24 months of supervised release and ordered to pay \$648,188 in restitution. Additional judicial action is pending.





## FNS SNAP FRAUD INVESTIGATIONS

*A significant portion of OIG's investigative resources are dedicated to ensuring the integrity of the Supplemental Nutrition Assistance Program (SNAP) by combating the practice of exchanging benefits for currency or other ineligible items. Working closely with FNS, OIG has concluded a number of SNAP-related investigations and prosecutions in the first half of FY 2019. Below are several examples of SNAP investigations resulting in significant convictions and monetary results.*

### California Bakery Owner Sentenced for Trafficking SNAP Benefits

On October 19, 2018, in U.S. District Court, Central District of California, a California bakery owner was sentenced to 11 months in prison. He was



During an OIG search warrant, OIG investigators collected evidence of trafficking of food assistance benefits at a store in Miami, Florida. Confiscated items included, clockwise from left to right: (1) receipts found during the search warrant, with handwritten numbers indicating how recipients exchanged cash for benefits at a discount; (2) cash for trading benefits; (3) a cigar box containing a significant quantity of cash; and (4) the point-of-sale terminal used to conduct the fraud.

*Photos by OIG.*

further ordered to serve 24 months of supervised release and pay a \$100 fine and \$1.1 million in restitution. On May 11, 2018, the bakery owner pled guilty to one count of trafficking SNAP benefits following his April 7, 2017, indictment on several counts of SNAP benefit and wire fraud.

This investigation began in June 2014 after OIG received information about the bakery's transactions from FNS' Retailer Investigative Branch. The bakery owner and an employee were found to be trafficking SNAP benefits. In addition, two SNAP recipients were arrested and charged with State violations for trafficking SNAP benefits with the bakery owner and employee. After pleading guilty, one SNAP recipient was sentenced to 26 days in jail and 60 months of probation, while the other was sentenced to 1 day in jail and 36 months of probation and was ordered to serve 100 hours of community



service. A third SNAP recipient was charged and is awaiting trial, and a fourth SNAP recipient's benefits were suspended.

### **Florida Store Owner and Partner Sentenced in SNAP Benefits Trafficking Scheme**

On October 29, 2018, in U.S. District Court, Southern District of Florida, the business partner of a Miami convenience store was sentenced to 16 months in prison and 36 months of supervised release and ordered to pay joint restitution totaling \$1.5 million. This sentence followed his August 7, 2018, plea to charges of conspiracy and wire fraud. OIG's joint investigation with the FBI and the USSS disclosed that the store owner and his business partner gave customers cash in exchange for benefits over a 3-year period. After entering a plea agreement, the owner fled the country to avoid



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

*Photo by OIG. It does not depict any particular audit or investigation.*



prosecution prior to his sentencing hearing. On October 30, 2018, he was indicted for failure to appear, and he remains a fugitive.

### **Ohio Retailer Sentenced for Role in SNAP Fraud**

On November 20, 2018, in U.S. District Court, Northern District of Ohio, a store owner was sentenced to 18 months in prison, followed by 36 months of supervised release, and ordered to pay a \$600 special assessment fee, a \$10,000 fine, and \$30,004 in restitution. A second owner was sentenced on the same day in the same court to 12 months in prison and 36 months of supervised release and ordered to pay a \$300 special assessment fee, a \$5,500 fine, and \$10,101 in restitution. They were both ordered to comply with the forfeiture of \$419,772 previously seized by IRS-CI.

This investigation was initiated based on information obtained during our investigation of another store. The owners of the store under prior investigation were using electronic benefits transfer (EBT) cards purchased from recipients to buy merchandise for their stores and restaurants. One store at which they used those EBT cards was the current subject store. During the investigation of the current store, numerous individuals were allowed to purchase ineligible items, obtain credit, and use multiple EBT cards at the same time (seemingly to purchase goods used for commercial purposes). Additionally, the store was exchanging SNAP benefits for cash. On February 10, 2016, the owners were indicted and charged with six counts of conspiracy, SNAP fraud, and money laundering.

### **Delaware Store Owner's Husband Sentenced for Unlawfully Redeeming \$1.8 Million in SNAP Benefits**

This joint investigation between OIG, the FBI, and HSI was initiated based on allegations that SNAP benefits were being exchanged at a discounted rate at a Wilmington, Delaware, convenience store. The investigation revealed that the husband of the store owner exchanged SNAP benefits for U.S. currency. On March 7, 2017, the husband was charged with SNAP fraud, as well as aiding and abetting. On March 28, 2017, during the execution of search warrants at the store and the owner's residence, the husband was arrested. At that time, seizure warrants were executed on five bank accounts, containing approximately \$200,946. Additionally, roughly \$58,358 in U.S. currency was seized from the residence. On June 29, 2018, the husband pled guilty to one count of SNAP fraud, and on December 7, 2018, he was sentenced to 14 months in prison and 24 months of supervised release and ordered to pay \$1.7 million in restitution. He was



also ordered to forfeit real property and more than \$259,000 in U.S. currency seized during the investigation.

### **Store Owner in Maryland Sentenced for Trafficking \$1.6 Million in SNAP Benefits**

OIG's joint investigation with the FBI was initiated based on the results of a SNAP fraud survey investigation, which revealed that the owner of a Baltimore, Maryland, convenience store exchanged SNAP benefits for U.S. currency. In August 2016, the owner and a store clerk were indicted in the District of Maryland on charges of conspiracy, wire fraud, and SNAP fraud involving more than \$1.6 million. On May 11, 2017, pursuant to a plea agreement, the clerk was sentenced to serve 27 months in prison and 36 months of supervised release. He was also ordered to pay a \$200 special assessment fee and \$1.6 million in restitution and forfeit \$1.6 million. On February 12, 2018, the jury trial of the store owner began and, on February 20, 2018, the jury found him guilty on all counts. On January 19, 2019, the store owner was sentenced to 48 months in prison and 36 months of supervised release and ordered to pay a \$600 special assessment fee and \$1.6 million in restitution, jointly with the store clerk. He will also forfeit \$1.6 million.

### **Florida Store Owner Extradited from Greece and Sentenced for SNAP Trafficking**

Operation Snapback was a multi-agency investigation involving both State and Federal law enforcement, as well as the USAO, Southern District of Florida. This joint task force included OIG, the FBI, the USSS, and the Fort Lauderdale Police Department. The joint task force investigated several retailers for SNAP fraud within Broward County and Miami-Dade County, Florida. Most of the subjects owned, operated, or worked at stores authorized to accept SNAP. However, some of the stores involved were not authorized to accept SNAP and, instead, solicited the assistance of authorized retailers to engage in trafficking. In most of the SNAP trafficking exchanges, the recipients did not actually receive any food or eligible items in return for their SNAP benefits. As a result of the unlawful transactions of SNAP benefits, more than \$20 million were exchanged for cash.

On August 5, 2017, one of the subject store owners fled the country, traveling to Lisbon, Portugal, on a one-way ticket. OIG requested the assistance of the International Criminal Police Organization (INTERPOL) Washington, U.S. National Central Bureau, to locate the fugitive. Pursuant to INTERPOL rules, information on the fugitive was

provided to all 192 INTERPOL member countries and was visible to all countries in INTERPOL's database. INTERPOL in Athens, Greece, arrested the subject on November 22, 2017. On November 1, 2018, the U.S. Marshals Service extradited him to the United States. On January 11, 2019, the store owner pled guilty in U.S. District Court, Southern District of Florida, to conspiracy to commit SNAP fraud. He was sentenced to 18 months in prison and 36 months of supervised release and ordered to pay a \$100 special assessment fee and \$488,827 in restitution. He was credited for nearly 12 months of time served in a Greek prison.

### **Additional Subjects Convicted in Large-Scale SNAP Fraud Investigation in Florida**

As we previously reported in the *SARC, First Half of 2017*, OIG conducted an investigation of the Opa-Locka Hialeah Flea Market jointly with a variety of State and Federal law enforcement agencies, including the Palm Beach County Sheriff's Office, the Florida Department of Children and Families, and the Florida Attorney General's Office of Statewide Prosecution. The case was initiated based on information obtained during our joint investigation with the Palm Beach County Sheriff's Office concerning the identity theft scheme described below. FNS concurrently referred several of the flea market retailers to OIG for investigation.

Our investigation disclosed that numerous retailers at the flea market provided SNAP recipients with cash in exchange for benefits. In April and May 2016, 26 subjects (including retailers and clerks) were indicted on State and Federal charges. Shortly thereafter, a massive search warrant and arrest warrant operation was conducted at the flea market, resulting in 26 arrests. The estimated fraud attributed to the 18 retailers targeted in the operation was more than \$29 million. Subsequently, two additional subjects were indicted on Federal charges. In January and February 2019, five store owners were convicted in the Circuit Court for the 11th Judicial Circuit of Florida. They were sentenced to periods of imprisonment up to 24 months, to be followed by up to 60 months of probation each. They were also ordered to pay fines and restitution totaling \$6.2 million.

To date, this investigation has cumulatively produced 28 convictions and \$21.6 million in fines and restitution. Additionally, 43 stores were permanently disqualified from participating in SNAP due to OIG investigations and FNS administrative cases. One subject who was indicted fled the country and remains a fugitive. He has not yet been convicted.



Elementary students sampled this broccoli and cauliflower salad during the taste testing of a new school lunch menu.

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



### **Identity Thief in Florida Sentenced to Prison**

OIG's joint investigation with the Palm Beach County Sheriff's Office and the Florida Department of Children and Families disclosed that a Florida man used compromised personally identifiable information from more than 500 people, some of whom were deceased, to submit applications for SNAP benefits. The man succeeded in creating multiple fraudulent SNAP recipient accounts and then used the associated EBT cards to traffick more than \$200,000 in benefits throughout southeastern Florida. Among the locations he regularly visited to conduct trafficking transactions were several vendors at the Opa-Locka Hialeah Flea Market in Miami-Dade County. A parallel investigation of the flea market vendors was subsequently initiated. The results of the latter have been previously reported. In September 2018, in Circuit Court, 15th Judicial Circuit of Florida, the man was found guilty by a jury of two counts of public assistance fraud and two counts of criminal use of personally identifiable information. In November 2018, he was sentenced to 180 months in prison.



## **Other FNS Investigations**

### **California Public School Employees Sentenced for Stealing from Two School Cafeterias**

On November 27, 2018, in U.S. District Court, Eastern District of California, a local school district employee was convicted of conspiracy for participating in a 10-year scheme of stealing cafeteria food purchased with FNS grant funds. The employee was sentenced to 24 months of probation, required to complete 300 hours of community service, and ordered to pay \$200 in restitution. OIG's joint investigation with the FBI began in June 2016. The investigation revealed that three school district employees conspired to steal food from the school district over a 10-year period, resulting in an estimated loss of \$50,000–\$100,000. On January 9, 2018, a bill of information was filed against the three employees for 35 counts in total, which included conspiracy and theft of property that was the subject of a grant or assistance under the National School Lunch Program or Child Nutrition Act. The other two employees' cases are pending judicial action.

### **Former Feeding Sponsor in Arkansas Sentenced to Prison**

On February 21, 2019, in U.S. District Court, Eastern District of Arkansas, a former feeding sponsor was sentenced to 27 months in prison and 36 months of supervised release and ordered to pay \$882,667 in restitution. He previously pled guilty to one count of conspiracy to commit wire fraud. The former feeding sponsor participated in the At-Risk Afterschool component of the Child and Adult Care Feeding Program in Little Rock during the 2013 contract year. He operated feeding site locations in Little Rock, North Little Rock, Woodson, and Mabelvale, Arkansas, and falsely claimed to be feeding more than 800 children per day at each of his feeding site locations, greatly inflating the number of children who were actually served. The FNS Southwest Regional Office assisted OIG by providing guidance and technical support, including the review of potentially fraudulent documentation.

## Testimonies

**House Committee on Appropriations, Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.** On March 12, 2019, Inspector General (IG) Phyllis K. Fong and other OIG officials testified on our recent oversight of USDA. The IG noted that OIG conducts audits and investigations to detect and prevent fraud and abuse in USDA's programs and operations. For FYs 2014–2018, OIG received appropriations totaling approximately \$477 million. During this period, those audits and investigations had a total potential dollar impact of \$3 billion, resulting in cost savings and recoveries of more than \$6.20 for every dollar invested. During this same period, OIG made 1,187 audit recommendations to improve USDA programs, and OIG investigations resulted in 3,106 successful convictions. The IG further discussed a number of recent important audits and investigations that were related to our three strategic goals.

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

**American Indian/Alaskan Native Working Group.** The Council of the Inspectors General on Integrity and Efficiency (CIGIE) has established a working group involving OIGs that review 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 U.S. Department of the Interior, the U.S. Department of Health and Human Services, and USDA OIGs are simultaneously conducting audit fieldwork for Departmental programs for Tribes in Oklahoma. Specifically, USDA OIG is reviewing 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.

**Operation Talon.** OIG began Operation Talon in 1997 to apprehend fugitive felons who are also receiving, or who have received, SNAP benefits in violation of 7 U.S.C. Sec. 2015(k). Operation Talon has led to the arrests of thousands of fugitive felons since its inception. 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. In the first half



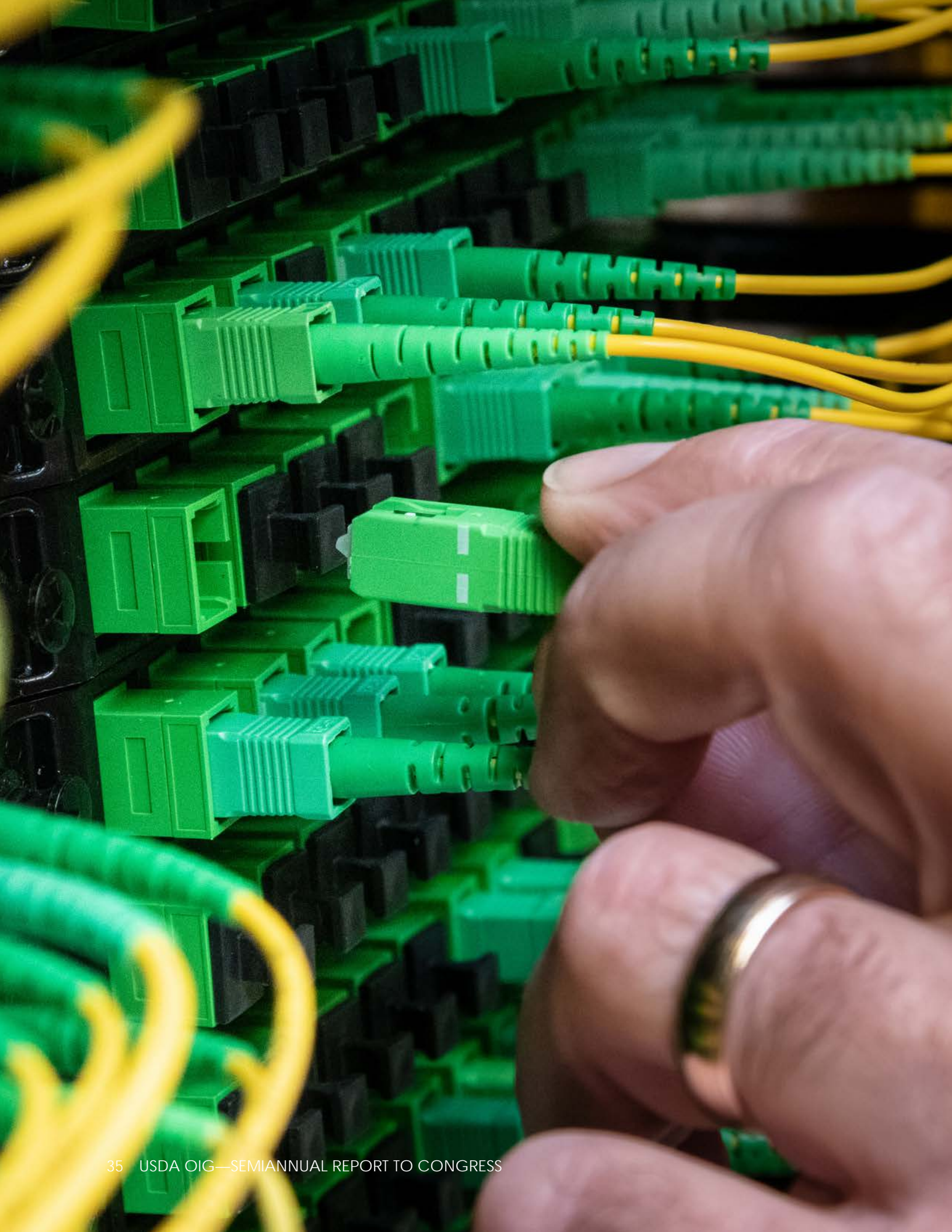
of FY 2019, Talon operations were conducted in 11 States, resulting in 70 arrests.

**Bridge Card Enforcement Team.** OIG investigators continue to work with this team to investigate criminal SNAP and Special Supplemental Nutrition Program for Women, Infants, and Children (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 323 search warrants. The USAO for the Eastern and Western Districts of Michigan and the Michigan Attorney General's Office have pursued multiple criminal prosecutions, resulting in 216 guilty pleas, lengthy prison terms, and more than \$53 million in court-ordered fines and restitution.


**Benefits Fraud Task Forces and Councils.** In Florida, an OIG investigator actively participates on the Government Housing Operations Special Task Force, focusing on fraud in public housing areas. Similarly, in Pennsylvania, OIG participates in the State Food and Agricultural Council meetings hosted by Rural Development (RD). In New York, an OIG agent-in-charge works alongside FNS in the SNAP Working Group, and, in California, OIG participates in a SNAP Fraud Joint Investigations Group consisting of the FBI and local social service authorities. In Rhode Island, an OIG investigator actively participates on the Rhode Island Benefit Fraud Task Force, hosted by the USAO for the District of Rhode Island. In California, Oregon, and Washington, OIG investigators participate on the Pacific Northwest Document Benefit Fraud Task Force and are active members in the California Welfare Fraud Investigators Association. In Arizona, an OIG investigator is similarly involved in the Welfare Fraud Investigations Group, co-sponsored by the Attorney General's office and the USAO for the District of Arizona. In Colorado, Idaho, Oregon, and Utah, OIG investigators are active members of the Welfare Fraud Councils and Public Assistance Working Groups dedicated to upholding the integrity and spirit of public assistance programs' rules and regulations.

**Identity Fraud Task Forces.** In Florida, Kansas, and Missouri, our agents provide support to the Identity Theft Strike Force and the Identity Theft Working Group. These groups help to identify trends and leads for combating identity theft and to de-conflict and collaborate on investigations.

**Money Laundering Task Forces.** OIG investigators in Pennsylvania participate on the USSS Money Laundering Task Force with representatives of Federal, State, and local law enforcement, as well as the USAO. This task







force provides investigative leads on various types of fraud cases, all of which involve money laundering, in order to discuss and assist one another with personnel, intelligence, and technology. In New York, an OIG investigator is an active member of the Long Island Financial Fraud Association Working Group. In Arizona, one OIG investigator participates in the International Association of Financial Crimes Investigators. In Northern Ohio, OIG participates on 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. In Missouri and Ohio, OIG investigators participate in the USAO-sponsored Bankruptcy Fraud Working Group composed of Federal, State, and local law enforcement agencies. An OIG investigator in Colorado participates in the Securities Fraud Working Group.

**Electronic Crimes and Organized Crime Task Forces.** In California, OIG investigators from the Diamond Bar office participate on the USSS High Tech Crimes Task Force for SNAP investigations. In Sacramento, OIG investigators participate in the Northern California Organized Retail Crime Association. In Arizona, OIG investigators participate on the Organized Retail Crime Association, on the Electronic Crimes Task Force, and on the Hot Spot Liquor Task Force. Each of these task forces targets different aspects of crime in Arizona. In Florida, OIG investigators participate in the South Florida Organized Fraud Task Force. In Illinois, OIG investigators actively participate on the Cook County State Attorney's Office Regional Organized Crime Task Force. OIG investigators serve on this team to investigate criminal SNAP and WIC violations. Team members include the Illinois State's Attorney's Office, Illinois State Police, Chicago Police Department, the USSS, HSI, and numerous other State and local law enforcement agencies that serve the citizens of Cook County, Illinois.

**Advanced Data Analytics Working Groups.** ODS staff participate in the Interagency Fraud and Risk Data Mining Group, the Grant Fraud Working Group, and the CIGIE Data Analytics Working Group. These groups provide a forum to share ideas, knowledge, and best practices relating to the use of advanced data analytics tools and techniques in support of accomplishing the OIG oversight mission.

*OIG participates in the State Food and Agricultural Council meetings hosted by Rural Development. Rural Development's Rural Utilities Service connects rural residents to the global economy through a number of programs, including increasing access to broadband and 21st century telecommunications services. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.*



# ONGOING REVIEWS

- » Oversight of the Farmers Market and Local Food Promotion Program (AMS),
- » Controls over Specialty Crop Block Grant Program (AMS),
- » Review of FNS' Nutrition Assistance Program disaster funding to Puerto Rico as a result of Hurricanes Irma and Maria (FNS),
- » Food Distribution Program on Indian reservations (FNS),
- » Nationwide implementation of WIC EBT (FNS),
- » SNAP employment and training pilot projects (FNS),
- » Florida's controls over SFSP (FNS),
- » FS' controls over its 2018 supplemental disaster appropriations (FS),
- » 2017 hurricane relief emergency assistance for honeybee claims (FSA),
- » Wildfires and Hurricanes Indemnity Program (FSA),
- » Adjusted gross income compliance verification process (FSA and the Natural Resources Conservation Service (NRCS)),
- » Formula grant programs controls over fund allocations to States (NIFA),
- » Environmental Quality Incentive Program payment schedules (NRCS),
- » Equitable relief (NRCS),
- » Agriculture Conservation Easement Program—application process and selection priorities (NRCS),
- » Single Family Housing Guaranteed Loan Program—liquidation value appraisals (Rural Housing Service (RHS)),
- » Multi-family housing tenant eligibility (RHS),
- » Single Family Housing Guaranteed Loan Program—appraisals (RHS),
- » Annual Forage Program and followup on Pasture, Rangeland, and Forage Program recommendations (RMA), and
- » Infrastructure funding for substantially underserved trust areas (Rural Utilities Service (RUS)).

*Peppers offered for sale at a U.S. farmers market. Our upcoming audit work will determine the effectiveness of the Agriculture Marketing Service's outreach efforts through the Farmers Market and Local Food Promotion Program to promote producer participation. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.*









## GOAL 3 MANAGEMENT IMPROVEMENT INITIATIVES

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*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, 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.*



**41.8%** of total direct resources devoted to Goal 3

**98.2%** of these resources assigned to critical-risk and high-impact work

### AUDIT



**10**  
reports issued  
(10 final, 0 interim)



**34**  
recommendations

**\$1.0 million** in monetary results

### INVESTIGATIONS



**63%**  
of closed cases  
resulted in  
action



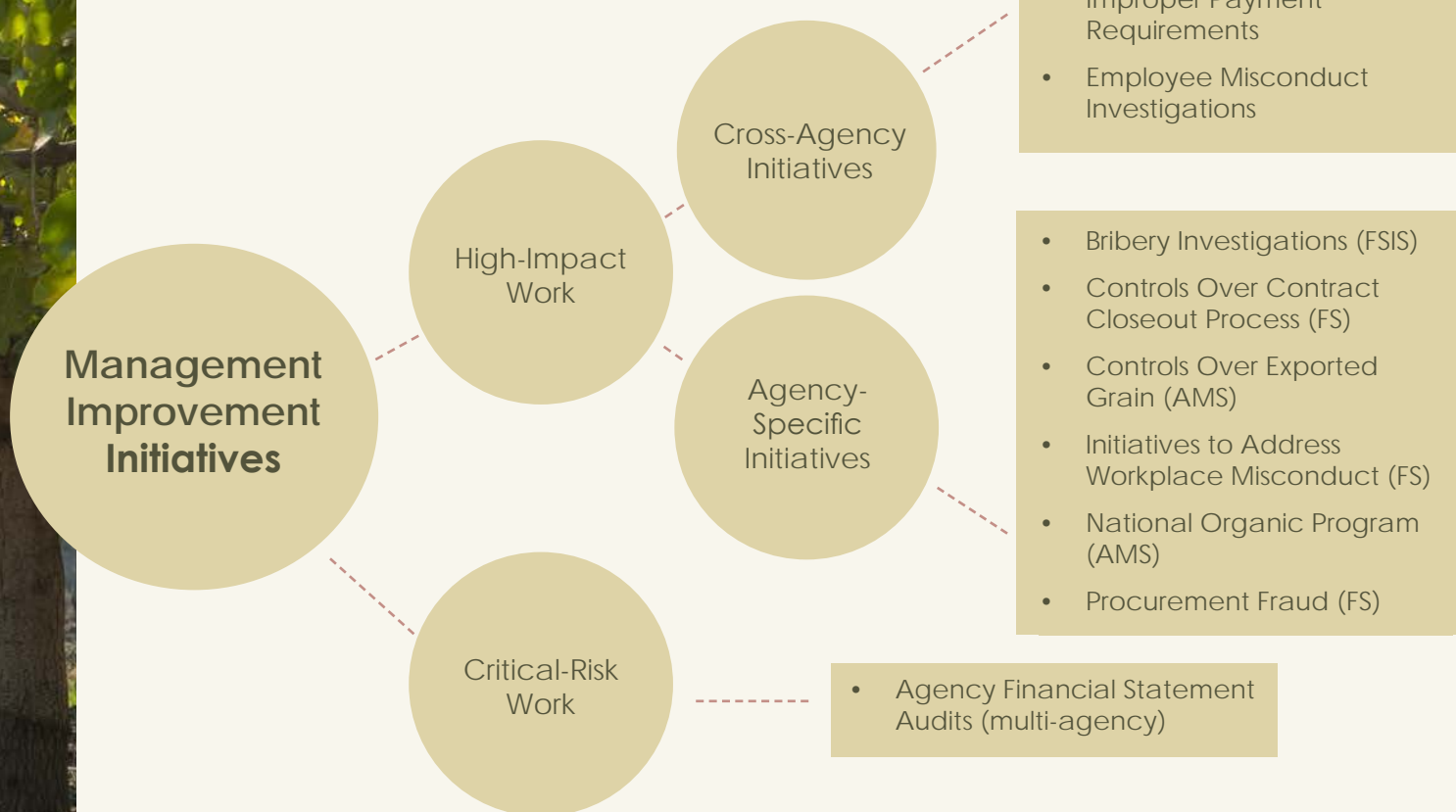
**3**  
indictments



**2**  
convictions

**\$7,200** in monetary results

### USDA Program Highlights in Support of Goal 3



*A pistachio grove benefitting from microirrigation and ground cover. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.*

# GOAL 3

## Examples of Audit and Investigative Work for Goal 3

### FS Initiatives to Address Workplace Misconduct

In response to a request from Members of Congress, OIG provided oversight for FS' Pacific Southwest Region (Region 5) as it addressed concerns about sexual harassment or retaliation against employees who alleged mistreatment.<sup>7</sup> In February 2019, we issued our final audit report, which evaluated whether the actions FS took in response to complaints of sexual misconduct and sexual harassment: (1) were effectively implemented as outlined in the joint agreement with USDA; and (2) sufficiently addressed workplace concerns.

Regarding our first objective, we had no reportable findings. Although some are still ongoing, FS had generally implemented all of the action items outlined in the joint agreement with the Office of the General Counsel and the Office of the Assistant Secretary for Civil Rights. With respect to the second objective, we reviewed 11 cases where sexual harassment and sexual misconduct were substantiated in FS' Region 5 and found two cases, and likely a third, in which former supervisors did not inform FS hiring officials about employees' prior histories. This occurred because hiring officials relied on reference checks with the employees' former supervisors, who did not disclose the misconduct.

We also reviewed intake forms for 125 complaints of sexual harassment and sexual misconduct in Region 5 for FYs 2014–2017, and we found that 18 of these cases were not reported by FS managers and supervisors within the required 24-hour timeframe. In addition, we found that, in 13 of these 18 cases, FS took no action against management officials who did not timely report these allegations. This occurred because FS supervisors and managers did not appear to fully understand the 24-hour reporting requirement and FS lacked specific guidelines on disciplinary actions to take when addressing untimely reporting. Lastly, we found that, for 4 of the 11 cases we reviewed where the allegations of sexual harassment and sexual misconduct were substantiated, the decided action was less than the corresponding penalty listed in the *USDA Guide for Disciplinary Penalties*. Though deviating from recommended penalties is allowed, in three of the cases, FS officials did not adequately document their justification for deviating from the

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<sup>7</sup>OIG published an interim report prior to this report: 08601-0008-41(1), *Forest Service Initiatives to Address Workplace Misconduct*, March 2018.

# MANAGEMENT IMPROVEMENT INITIATIVES

penalty outlined in the guide. FS generally agreed with our findings and recommendations. (Audit Report 08601-0008-41)

## **USDA's Consolidated Financial Statements for FY 2018**

USDA received an unmodified opinion from OIG's audit of the Department's financial statements. We determined that USDA's consolidated financial statements present fairly, in all material respects, USDA's financial position as of September 30, 2018, and were prepared in accordance with accounting principles generally accepted in the United States. This includes USDA's net cost, changes in net position, and statement of budgetary resources and related notes to the consolidated financial statements.

Our consideration of USDA's internal control over financial reporting identified three significant deficiencies, two of which are material weaknesses. Specifically, three of USDA's component agencies need to make further improvements to their overall financial management. Also, USDA needs to improve its IT security and controls, as many longstanding weaknesses remain. Moreover, USDA needs to improve its controls over financial reporting, as our review again disclosed deficiencies related to obligations. Additionally, this report includes findings related to USDA's lack of substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA) and violations of the Anti-Deficiency Act (ADA). The Department concurred with our findings and generally agreed with our recommendation. (Audit Report 50401-0016-11)

## **USDA's Closing Package Financial Statements for FY 2018**

USDA received an unmodified opinion from OIG's audit of the Department's closing package financial statements. We determined that USDA's closing package financial statements present fairly, in all material respects, the Department's financial position as of September 30, 2018, and were prepared in accordance with accounting principles generally accepted in the United States. This includes USDA's net cost, changes in net position, and related notes to the closing package financial statements.

Our consideration of USDA's internal control over financial reporting for the closing package financial statements did not identify any deficiencies in internal controls that we consider to be material weaknesses. Also, the results of our tests of compliance with the U.S. Department of the Treasury's Treasury Financial Manual, Volume I, Part 2, Chapter 4700, "Agency Reporting Requirements for the Financial Report of the United States



Government,” disclosed no reportable instances of noncompliance. (Audit Report 50401-0017-11)

## **Agency Financial Statements**

*In auditing USDA’s consolidated financial statements, OIG either performed or oversaw contractors as they performed audits of five USDA agencies’ financial statements.*

### **Commodity Credit Corporation’s Financial Statements for FY 2018**

An independent certified public accounting (CPA) firm audited the Commodity Credit Corporation’s (CCC) consolidated financial statements in its agency financial report for the fiscal year ending September 30, 2018. CCC received an unmodified opinion on the financial statements, as well as an assessment of CCC’s internal control over financial reporting and compliance with laws and regulations. The accounting firm reported that the financial statements present fairly, in all material respects, CCC’s financial position as of September 30, 2018, and were prepared in accordance with accounting principles generally accepted in the United States. This includes CCC’s net cost, changes in net position, and statement of budgetary resources for the year then ended.

The independent auditor’s report identified two deficiencies in CCC’s internal control over financial reporting accounting for budgetary transactions and accounting estimates related to grants payable. The accounting firm considered the first deficiency to be a material weakness and the second one to be a significant deficiency. The results of the firm’s tests of compliance with laws and regulations disclosed instances of noncompliance related to the FFMIA and ADA. CCC concurred with the findings. (Audit Report 06403-0001-11)

### **FNS’ Financial Statements for FYs 2018 and 2017**

FNS received an unmodified opinion from OIG’s audit of the agency’s consolidated financial statements. We determined that the agency’s financial statements present fairly FNS’ financial position as of September 30, 2018, and 2017, in all material respects, and were prepared in accordance with accounting principles generally accepted in the United States. This includes the agency’s net costs, changes in net position, and statements of budgetary resources and related notes to the financial statements.



The Natural Resources Conservation Service assists farmers, ranchers, and forest landowners to implement conservation measures that improve habitats for fish and wildlife, like this raptor photographed on the Quillayute River in Washington State.

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

Our review of FNS' internal control over financial reporting identified no material weaknesses. However, our review of compliance with laws and regulations identified that FNS' high-risk programs were not compliant with the requirements of the Improper Payments Information Act, as amended by the Improper Payments Elimination and Recovery Act of 2010, and the Improper Payments Elimination and Recovery Improvement Act of 2012. (Audit Report 27401-0003-11)

### **NRCS' Balance Sheet for FY 2018**

Similar to its approach in FY 2017, NRCS presented only its consolidated balance sheet for FY 2018 for audit. An independent CPA firm audited NRCS' balance sheet as of September 30, 2018. NRCS received an unmodified opinion on the balance sheet, as well as an assessment of NRCS' internal control over financial reporting and compliance with laws and regulations. The accounting firm reported that the balance sheet presents fairly, in all material respects, NRCS' financial position as of September 30, 2018, in conformity with accounting principles generally accepted in the United States. The independent auditor's report identified





Goats on a Virginia farm run by a veteran of the U.S. Coast Guard. In 2014, USDA announced the availability of more than \$9 million in Farm Service Agency outreach and technical assistance for minority farmers and ranchers and military veterans who are new to farming and ranching.


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

two deficiencies considered material weaknesses: (1) accounting and controls over obligations and undelivered orders; and (2) accounting and controls over expenses. The results of the firm's tests of compliance with laws and regulations disclosed instances of noncompliance with FFMIA. NRCS generally concurred with the findings. (Audit Report 10403-0001-11)

### **RD's Financial Statements for FYs 2018 and 2017**

RD received an unmodified opinion from OIG's audit of the agency's consolidated financial statements. We determined that RD's financial statements present fairly the agency's financial position as of September 30, 2018, and 2017, in all material respects, and were prepared in accordance with accounting principles generally accepted in the United





States. This includes the agency's net costs, changes in net position, and statements of budgetary resources and related notes to the financial statements. Our consideration of RD's internal control over financial reporting identified no material weaknesses, and our consideration of compliance with laws and regulations noted no instances of noncompliance. (Audit Report 85401-0009-11)

### **Federal Crop Insurance Corporation/RMA Financial Statements for FYs 2018 and 2017**

The Federal Crop Insurance Corporation (FCIC)/RMA received an unmodified opinion from OIG's audit of FCIC/RMA's financial statements. We determined that the agency's financial statements presented fairly FCIC/RMA's financial position as of September 30, 2018, and 2017, in all material respects, and were prepared in accordance with accounting principles generally accepted in the United States. This includes the agency's net costs, changes in net position, and statements of budgetary resources and related notes to the financial statements.

We identified two deficiencies in FCIC/RMA's internal control over financial reporting: (1) controls over estimating losses on insurance claims; and (2) information technology general controls. We considered the first deficiency to be a material weakness and the second one to be a significant deficiency. Our considerations of compliance with laws and regulations noted no instances of noncompliance. (Audit Report 05401-0010-11)

### **Controls Over Inspection of Exported Grain**

OIG reviewed the Federal Grain Inspection Service's (FGIS) controls over export grain inspection and weighing. A part of AMS, FGIS officially inspects and weighs export grain and provides the shipper with official certificates that provide accurate, official descriptions of the grade, class, and condition of grain.

We determined that while FGIS has adequate controls over export grain inspection and weighing, FGIS can still improve its IT systems. Specifically, although FGIS developed the FGISonline system to improve its grain inspection program's efficiency and effectiveness, FGISonline applications continue to rely on manual processes to extract, compute, input, and share data. This reliance on manual processes results in program inefficiencies, reduced assurance of data accuracy and reliability, and reduced traceability of inspection results throughout the inspection cycle. We also determined

that FGIS field offices did not successfully develop and implement a quality management program to resolve the root causes of issues identified in their reviews.

Finally, FGIS' 2016 *Annual Report*, submitted to Congress, contained errors and data that we could not verify. If the information presented in this report is not accurate and reliable, Congress, USDA, and other stakeholders cannot determine progress and effectiveness concerning FGIS' inspection and weighing activities. AMS officials concurred with our findings and recommendations. (Audit Report 30601-0001-21)

### **FS Controls Over its Contract Closeout Process**

FS awards contracts for services, such as hazardous fuels reduction, forest restoration, engineering, and administrative support services, to help the agency accomplish its mission. During FYs 2014–2016, FS awarded more than \$3.7 billion in service contracts. OIG reviewed FS' controls over its contract closeout process to determine whether FS had adequate controls in place to ensure service contracts were timely and correctly closed out and funds were properly deobligated.

We found that FS did not close 48 percent of the contracts we reviewed within the required time standards, with delays up to 7 years. This occurred because FS did not prioritize closing contracts and did not have a mechanism in place to track the agency's status and performance related to contract closeouts, including the cancellation of any remaining amounts of awarded funds from a contract or order. As a result, FS was at risk for undelivered services and possible future claims. Consequently, \$988,743 in funds remained unavailable for other agency priorities, such as forest restoration activities.

We also found that 87 percent of FS' contract files we reviewed were missing at least one piece of required closeout documentation, such as the release of claims or contract completion statement. In addition, we found contracting officers inconsistently used the contract closeout checklist. This occurred because FS' internal process reviews and ongoing supervisory reviews related to contract closeout were insufficient. Further, some staff were not aware of the closeout documentation requirements. Without adequate documentation in the contract file, there is risk that FS cannot protect the Government from potential future claims from contractors or ensure that the Government avoids selecting contractors with a history of poor performance. FS concurred with our findings and recommendations. (Audit Report 08601-0009-41)

## **Research Chemist in Maryland Brought to Justice After Sexually Assaulting a Co-worker**

On March 12, 2019, in U.S. District Court, District of Maryland, a former GS-15 grade research chemist was sentenced to 10 months in prison and 12 months of supervised release and ordered to pay a \$5,100 special assessment fee. As a special condition, he was also required to seek mental health treatment/evaluation and to have no contact with the victim. On April 3, 2018, the Agricultural Research Service (ARS) forwarded an employee complaint to OIG that alleged a chemist employed by ARS had been sexually assaulting subordinate female staff members for several years. Within 16 days after receiving the initial complaint, OIG investigators corroborated the allegations of sexual assault. On April 18, 2018, the chemist was indicted, and on November 26, 2018, the chemist pled guilty to one count of abusive sexual contact. ARS initially placed him on unpaid suspension, but once he learned that ARS was moving forward with his removal, the chemist resigned on December 8, 2018.

## **Former GIPSA Employee in Oregon Convicted of Possession of Child Pornography**

On December 14, 2018, in the Circuit Court of Oregon, Multnomah County, a former GIPSA employee was convicted of two counts of encouraging child sexual abuse in the first degree for possessing child pornography. He was sentenced to 30 days in prison and 36 months of probation and was required to register as a sex offender. The Department's Agriculture Security Operations Center (ASOC) referred this investigation to OIG in September 2015. ASOC monitors USDA's network traffic and revealed that the employee in question was viewing pornography on a Government-issued laptop. Further review of the visited websites' content appeared to feature underage children. A forensic examination identified 485 files as possible child pornography and 3,000 files of adult pornography. During the OIG investigation, the employee's personal laptops and media storage devices were also examined. Shortly after these findings were made known to him, the employee resigned from Federal service. On August 28, 2018, he was indicted on 20 counts of encouraging child sexual abuse in the first degree and 3 counts of encouraging child sexual abuse in the second degree.



## Testimonies

**The House Committee on Oversight and Government Reform.** On November 15, 2018, IG Phyllis K. Fong testified on OIG’s recent work on the issue of workplace misconduct at FS. The IG described recent oversight work to help FS improve conditions for all of its employees. OIG initiates criminal investigations of allegations of sexual assault or harassment, has conducted a survey of FS employees that explored employees’ perceptions of conditions in their workplace and how FS responds to allegations of harassment, and has performed audit work (reported earlier in this goal) to evaluate whether the actions FS took in response to complaints of sexual misconduct and harassment sufficiently addressed workplace concerns.

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

**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 developed a common audit methodology that was disseminated across the IG community for the FY 2019 DATA Act compliance audit; continues to monitor the Government-wide methodology; and addresses questions from the IG community as they arise. Also, as part of the IG community, OIG coordinates its DATA Act work with GAO. Some of the recent discussions include considerations for updates to the Government-wide DATA Act policy and the ongoing and planned GAO reviews.

**Security, Information Sharing, and Management Committees.** In Oregon and Washington, OIG investigators are active members of the Contract Procurement Working Group. In Pennsylvania, OIG investigators participate in the facility security group and the crime-sharing group. In

New Jersey and New York, an OIG investigator participates in the Federal OIG forum. With both the USAOs of the District of New Jersey and the Eastern District of Pennsylvania, OIG investigators participate in the law enforcement executive meetings to discuss and share issues affecting the OIG community and the overall law enforcement community. In California, OIG investigators participate in the Western Region IG Council, the Bay Area Federal Law Enforcement Executive Association, and the San Francisco Federal Executive Board. In the Central and Eastern Districts of California and the District of Oregon, OIG investigators are members of the USAOs' "Head Fed" groups. Additionally, OIG participates in the California Chapter of the Association of the Inspectors General, the Northwest Council of Inspectors General, the Rocky Mountain IG Council, and the Rocky Mountain Special Agents in Charge Association. Within CIGIE and the Federal law enforcement community, one OIG investigator is on the CIGIE Firearms Working Group and another investigator is an adjunct instructor for the IG Academy. Within the OIG community, OIG investigators participate on the Policy Working Group Committee, the Law Enforcement Coordinating Committee, the Technical Advisory Committee, and the Peer Support Committee.

**Public Corruption Teams.** An OIG investigator 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 Idaho, an OIG investigator 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 those crimes as a deterrent to those who might seek to exploit the people living in Montana's Native American communities. An OIG investigator is part of a U.S. Department of Justice (DOJ)-formed group of Federal and State law enforcement agencies that investigate illegal fraudulent activities as a result of Hurricane Harvey relief efforts.

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

**H.R. 6981, the Anti-Deficiency Reform and Enforcement Act of 2018.** This bill would reform the ADA and increase IG oversight in this area. OIG provided comments noting the potentially duplicative nature of certain

provisions in the bill regarding IG authority to grant awards for disclosures of ADA violations. We noted that current IG audit activities already identify potential ADA violations, and IGs already have authorities to grant awards for disclosures of waste, fraud, and abuse.

**H.R. 5, Equality Act.** This bill would amend Federal law to expand, as well as clarify, confirm, and create greater consistency in the protections and remedies against discrimination on the basis of covered characteristics, including, but not limited to, sex, sexual orientation, and gender identity. OIG noted that the definition of “sexual orientation” did not include certain sexualities and identities that have become more recognized in recent years, such as asexuality and pansexuality. OIG also noted that the legislation did not specifically mention nonbinary individuals, as part of the definition of either “sexual orientation” or “gender identity.” OIG recommended expanding the definition of “sexual orientation” beyond the three sexualities already included and clarifying that nonbinary individuals are covered as well.

**H.R. 135, Federal Employee Antidiscrimination Act of 2019.** This bill would amend the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002, as well as the Federal antidiscrimination laws enforced by the Equal Employment Opportunity (EEO) Commission. OIG provided comments noting that timeframes for posting notices and reporting findings of discrimination could be problematic for employing agencies who are dependent upon their parent agencies to timely issue findings of discrimination. OIG also provided comments regarding the term “head of the agency” and suggested consideration of recognition of agency subcomponent offices and reporting structures that carry out related EEO authorities and responsibilities.



# ONGOING REVIEWS

- » Consolidated financial statements for FYs 2019 and 2018 (CCC, FNS, RD, RMA, USDA),
- » Contract for SNAP EBT services at farmers market and direct marketing farmers (FNS),
- » Assessment of WIC's National Program Integrity and Monitoring Branch activities (FNS),
- » Consolidated report of agency and selected State agencies' controls over SFSP (FNS),
- » USDA FY 2018 compliance with improper payment requirements (FNS, FSA, CCC, NRCS, and RMA),
- » Assessment of the state of oversight work in the area of sexual harassment and misconduct in the Federal Government (Multi-agency),
- » Controls over FSA's contract closeout process (FSA),
- » Financial statements for FY 2019 (NRCS),
- » Statement of Standards for Attestation Engagements No. 18, Report on Controls at the National Finance Center for 2019 and 2018 (Office of the Chief Financial Officer (OCFO)),
- » Statement of Standards for Attestation Engagements No. 18, Report on Controls at Financial Management System (OCFO),
- » Agreed-upon procedures: employee benefits, withholdings, contributions, and supplemental semiannual headcount reporting submitted to OPM in FY 2019 (OPM),
- » Controls over crop insurance 508(h)<sup>8</sup> products (RMA),

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<sup>8</sup> Section 508(h) of the Federal Crop Insurance Act allows private parties to develop insurance products that: (1) are in the best interests of producers; (2) follow sound insurance principles; and (3) are actuarially appropriate.

- » 2019 compliance with the DATA Act (USDA),
- » USDA's proposal to reorganize and relocate ERS and NIFA (USDA), and
- » General and application controls work for financial statement audits (USDA).

*Dragon fruit harvested from a small California farm. This photo is from USDA's Flickr account. It does not depict any particular audit or investigation.*







# INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

| IG Act Section      | IG Act Description  | USDA OIG Reported SARC March 2019     |
|---------------------|---|---------------------------------------|
| Section 4(a)(2)     | Review of Legislation and Regulations   | Pages 50–51                           |
| Section 5(a)(1)     | Significant Problems, Abuses, and Deficiencies  | Goals 1, 2, and 3<br>Pages 1–54       |
| Section 5(a)(2)     | Recommendations for Corrective Action with Respect to Significant Problems, Abuses, and Deficiencies  | Goals 1, 2, and 3<br>Pages 1–54       |
| Section 5(a)(3)     | Significant Recommendations from Agency's Previous Reports on Which Corrective Action Has Not Been Completed                                    | Appendix A.10<br>Pages 75–91          |
| Section 5(a)(4)     | Matters Referred to Prosecutive Authorities and Resulting Convictions   | Appendix B.1 and B.2<br>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<br>Page 69–71            |
| Section 5(a)(7)     | Summary of Significant Reports  | Goals 1, 2, and 3<br>Pages 1–54       |
| Section 5(a)(8)     | Statistical Table: Questioned Costs   | Appendix A.2<br>Page 65               |
| Section 5(a)(9)     | Statistical Table: Recommendations that Funds Be Put to Better Use  | Appendix A.3<br>Page 66               |
| 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<br>Page 72               |
| 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<br>Page 108             |
| Section 5(a)(10)(C) | Reports Without Agency Comments or Unimplemented Recommendations and Potential Costs Savings—Funds To Be Put To Better Use and Questioned Costs | Appendix A.13<br>Pages 94–106         |
| Section 5(a)(11)    | Significantly Revised Management Decisions Made During the Reporting Period   | Appendix A.8<br>Page 73               |
| Section 5(a)(12)    | Significant Management Decisions with Which the Inspector General is in Disagreement  | Appendix A.9<br>Page 74               |
| Section 5(a)(13)    | Information Described Under Section 804(b) of the FFMA of 1996  | Appendix A.11<br>Page 92              |

| IG Act Section                | IG Act Description   | USDA OIG Reported SARC March 2019                     |
|-------------------------------|--|---|
| Section 5(a)(14) and (15)     | Peer Reviews of USDA OIG   | Page 58   |
| Section 5(a)(16)              | Peer Reviews Conducted by USDA OIG   | Page 58   |
| Section 5(a)(17) and 5(a)(18) | Additional Investigations Information  | Appendix B.4<br>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<br>Page 114                              |
| Section 5(a)(20)              | Instances of Whistleblower Retaliation   | Appendix B.6<br>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<br>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<br>Pages 93,107, 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;
- » Recognition (awards received);
- » Program improvement recommendations; and
- » Hotline complaint results.<sup>9</sup>

<sup>9</sup> 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>).

# National Defense Authorization Act for FY 2008

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Section 845

Contract Audit Reports with Significant Findings

Appendix A.4

Page 67

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# PEER REVIEWS AND OUTSTANDING RECOMMENDATIONS

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

## Audit

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. OIG's Office of Audit 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 (HUD) OIG issued its final report on the peer review it conducted of USDA OIG's Office of Investigations. The report found that OIG's Office of Investigations was compliant with the Quality Standards for Investigations established by CIGIE. HUD OIG issued a letter of observations offering two suggestions for USDA OIG's consideration. We completed our assessment of HUD-OIG's suggestions and addressed the concerns raised, as appropriate within our policies and procedures.

## Peer Reviews Conducted by USDA OIG

During the current reporting period, USDA OIG did not conduct a peer review of another audit or investigative organization.

# 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; and
- » 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 2018<br>ACTUAL | FY 2019<br>TARGET | FY 2019<br>1st Half<br>ACTUAL |
|--|-------------------|-------------------|-------------------------------|
| OIG direct resources dedicated to critical-risk and high-impact activities.  | 98.2%             | 96%               | 98.1%                         |
| Audit recommendations where management decisions are achieved within 1 year.   | 94.8%             | 95%               | 100%                          |
| Mandatory, Congressional, Secretarial, and agency-requested audits initiated where the findings and recommendations are presented to the auditee within established or agreed-to timeframes (includes verbal commitments). | 100%              | 95%               | 100%                          |
| Closed investigations that resulted in a referral for action to DOJ, State, or local law enforcement officials, or relevant administrative authority.  | 91.9%             | 85%               | 98.3%                         |
| Closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.   | 88.4%             | 80%               | 87.9%                         |

# OIG ACCOMPLISHMENTS FOR FY 2019, FIRST HALF (OCTOBER 1, 2018–MARCH 31, 2019)

| <b>SUMMARY OF AUDIT ACTIVITIES</b>  | <b>FY 2019<br/>1st Half</b> |
|---|-----------------------------|
| Number of Final Reports   | 16                          |
| Number of Interim Reports   | 0                           |
| Number of Final Report Recommendations<br>(96 program improvements/15 monetary) | 111                         |
| Number of Interim Report Recommendations<br>(0 program improvements/0 monetary) | 0                           |
| Total Dollar Impact of Reports at Issuance (Millions)                           | \$2.4                       |
| Questioned/Unsupported Costs  | \$1.4                       |
| Funds to Be Put to Better Use   | \$1.0                       |
| <b>Management Decisions Reached</b>   |                             |
| Number of Final Reports   | 12                          |
| Number of Final Report Recommendations<br>(69 program improvements/13 monetary) | 82                          |
| Number of Interim Reports   | 1                           |
| Number of Interim Report Recommendations<br>(7 program improvements/0 monetary) | 7                           |
| <b>SUMMARY OF INVESTIGATIVE ACTIVITIES</b>                                      | <b>FY 2019<br/>1st Half</b> |
| Reports Issued  | 68                          |
| Indictments   | 175                         |
| Convictions   | 249                         |
| Arrests   | 220                         |
| Administrative Sanctions  | 120                         |
| Total Dollar Impact (Millions)  | \$73.8                      |

# RECOGNITION OF OIG EMPLOYEES BY THE INSPECTOR GENERAL COMMUNITY

## **CIGIE Awards—Presented in October 2018**

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

**USDA’s DATA Act Initiative**—In recognition of the extraordinary efforts in completing the mandatory readiness review and compliance audits of USDA’s DATA Act implementation and submission.

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

**Arkansas Feeding Program Investigative and Prosecution Team**—In recognition of exemplary determination and groundbreaking investigative work to stop a public corruption and fraudulent scheme to defraud multiple USDA feeding programs.

### **Award for Excellence: Multiple Disciplines**

**A Collaboration of Disciplines Regarding USDA’s Scientific Research Integrity**—In recognition of the combination of extraordinary efforts from the Offices of Audit and Data Sciences to determine the perceived state of scientific integrity of the work that USDA research-grade scientists perform.



# APPENDIX A: AUDIT TABLES

## Appendix A.1: Audit Reports Issued

### Summary of Audit Reports Issued, October 1, 2018–March 31, 2019

|  |   |                       |
|--|---|-----------------------|
| Reports Issued: 16   | Audits Performed by OIG                           | 14                    |
|  | Audits Performed Under the Single Audit Act       | 0                     |
|  | Audits Performed by Others and Non-Audit Services | 2                     |
| Management Decisions Made: 82  | Number of Reports                                 | 12                    |
|  | Number of Recommendations                         | 82                    |
| Total Dollar Impact (Millions) of Management-Decided Reports: \$15.6 | Total Questioned/Unsupported Costs                | \$14.6 <sup>a,b</sup> |
|  | —Recommended for Recovery                         | \$6.7                 |
|  | —Not Recommended for Recovery                     | \$7.9                 |
|  | Funds to Be Put to Better Use                     | \$1.0                 |

<sup>a</sup> Amounts the auditees agreed to at the time of management decision.

<sup>b</sup> The recoveries realized could change as auditees implement their agreed-upon corrective action plans and seek the recovery of amounts recorded as debts due to USDA.

### Summary of Interim Reports Issued, October 1, 2018–March 31, 2019

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 no interim reports during this reporting period.

|   |   |     |
|---|---|-----|
| Reports Issued: 0   | Audits Performed by OIG                     | 0   |
|   | Audits Performed Under the Single Audit Act | 0   |
|   | Audits Performed by Others                  | 0   |
| Management Decisions Made: 7                                      | Number of Reports                           | 1   |
|   | Number of Recommendations                   | 7   |
| Total Dollar Impact (Millions) of Management-Decided Reports: \$0 | Total Questioned/Unsupported Costs          | \$0 |
|   | —Recommended for Recovery                   | \$0 |
|   | —Not Recommended for Recovery               | \$0 |
|   | Funds to Be Put to Better Use               | \$0 |

## Appendix A.2: Inventory of Final Audit Reports with Questioned Costs and Loans (October 1, 2018–March 31, 2019)

| Category  | No.      | Questioned Costs and Loans   | Unsupported <sup>a</sup> Costs and Loans |
|---|----------|------------------------------|--|
| Reports for which no management decision had been made by October 1, 2018. <sup>b</sup>                     | 2        | \$14,197,936                 | \$1,904,346                              |
| Reports which were issued during the reporting period.  | 3        | \$1,396,566                  | \$143,396                                |
| <b>Total Reports with Questioned Costs and Loans</b>  | <b>5</b> | <b>\$15,594,502</b>          | <b>\$2,047,742</b>                       |
| Of the 5 reports, those for which management decision was made during the reporting period.                 | 3        | Recommended for recovery     | \$6,657,125                              |
|   |          | Not recommended for recovery | \$7,891,453                              |
|   |          | Costs not disallowed         | \$0                                      |
| Of the 5 reports, those for which no management decision has been made by the end of this reporting period. | 2        | \$1,045,924                  | \$776,083                                |

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

<sup>b</sup> Carried over from previous reporting periods.

## Appendix A.3: Inventory of Final Audit Reports with Recommendations that Funds Be Put to Better Use

| Category  | Number   | Dollar Value               |
|---|----------|----------------------------|
| Reports for which no management decision had been made by October 1, 2018 <sup>a</sup>                    | 0        | \$0                        |
| Reports which were issued during the reporting period   | 1        | \$988,743                  |
| <b>Total Reports with Recommendations that Funds Be Put to Better Use</b>                                 | <b>1</b> | <b>\$988,743</b>           |
| Of the 1 report, those for which management decision was made during the reporting period                 | 1        | Disallowed costs \$988,743 |
|   |          | Costs not disallowed \$0   |
| Of the 1 report, those for which no management decision has been made by the end of this reporting period | 0        | \$0                        |

<sup>a</sup> Carried over from previous reporting periods.



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

OIG is required by the National Defense Authorization Act for FY 2008 to list all contract audit reports issued during the reporting period that contained significant findings. OIG did not issue any such reports from October 1, 2018, through March 31, 2019.

## 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 96 program improvement recommendations, and management agreed to implement 76 recommendations that were issued this period or earlier. Examples of those recommendations issued during this reporting period include the following (see the main text of this report for a summary of the audits that prompted these recommendations):

- » FS should provide additional training and guidance to supervisors on the Merit Systems Protection Board and OPM guidelines regarding their responsibility to provide complete and accurate information to hiring officials when asked for references on current and former FS employees seeking employment or promotions within FS. The training and guidance should also cover privacy and liability concerns when disclosing employee information. (Audit Report 08601-0008-41)
- » FNS should develop guidance for States to continually assess and identify risk factors for SFSP. Specifically, this process should include procedures to identify SFSP sponsors that are high risk and to select a sample of those potentially high-risk sponsors for administrative review. (Audit Report 27004-0003-21)
- » AMS should complete and document a risk assessment of all processes used to extract, share, calculate, or input data into FGISonline to identify system limitations and areas that should be automated to increase efficiency and functionality. The risk assessment should include a ranking of processes that, if automated, would enhance system controls and improve FGISonline's data accuracy and traceability. (Audit Report 30601-0001-21)

## Appendix A.6: Audit Reports

OIG issued 16 audit reports, including 2 performed by others. The following is a summary of those audit products by agency:

### Audit Report Totals

|  |             |
|--|-------------|
| Total Funds to Be Put to Better Use                        | \$988,743   |
| Total Reports with Questioned Costs and Loans <sup>a</sup> | \$1,396,566 |

<sup>a</sup> Unsupported values of \$143,396 are included in the questioned values.

### Summary of Audit Reports Released from October 1, 2018– March 31, 2019

| Agency Type  | Audits Released | Questioned Costs and Loans <sup>a</sup> | Unsupported Costs and Loans <sup>a</sup> | Funds to Be Put to Better Use |
|--|-----------------|---|--|-------------------------------|
| Single Agency Audit                                | 13              | \$1,396,566                             | \$143,396                                | \$988,743                     |
| Multi-Agency Audit                                 | 3               | \$0                                     | \$0                                      | \$0                           |
| Total Completed Under Contract <sup>b</sup>        | 2               |   |  |                               |
| Issued Audits Completed Under The Single Audit Act | 0               |   |  |                               |

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

<sup>b</sup> Audits performed by others, which are included in single agency total.



## Audit Reports Released and Associated Monetary Values from October 1, 2018–March 31, 2019

| Report Number                                   | Report Type* | Release Date | Title   | Questioned Costs and Loans | Funds to Be Put to Better Use |
|---|--------------|--------------|---|----------------------------|-------------------------------|
| <b>AMS: Agricultural Marketing Service</b>      |              |              |   |                            |                               |
| 30601-0001-21                                   | PA           | 12/13/18     | Controls Over Inspection of Exported Grain      |                            |                               |
| <b>Total: 1</b>                                 |              |              |   |                            |                               |
| <b>CCC: Commodity Credit Corporation</b>        |              |              |   |                            |                               |
| 06403-0001-11                                   | FA           | 11/09/18     | CCC's Financial Statements for FY 2018          |                            |                               |
| <b>Total: 1</b>                                 |              |              |   |                            |                               |
| <b>FNS: Food and Nutrition Service</b>          |              |              |   |                            |                               |
| 27004-0001-41                                   | PA           | 11/05/18     | California's Controls Over SFSP                 | \$377,190                  |                               |
| 27004-0003-21                                   | PA           | 03/14/19     | SFSP in Texas—Sponsor Costs                     | \$737,605                  |                               |
| 27004-0004-21                                   | PA           | 03/14/19     | Texas' Controls Over SFSP                       | \$281,771                  |                               |
| 27401-0003-11                                   | FA           | 11/08/18     | FNS' Financial Statements for FYs 2018 and 2017 |                            |                               |
| <b>Total: 4</b>                                 |              |              |   |                            |                               |
| <b>FSIS: Food Safety and Inspection Service</b> |              |              |   |                            |                               |
| 24601-0003-22                                   | PA           | 03/26/19     | FSIS' Compliance with Written Recall Procedures |                            |                               |
| 24601-0006-31                                   | PA           | 12/19/18     | FSIS' Oversight of NPIS                         |                            |                               |
| <b>Total: 2</b>                                 |              |              |   |                            |                               |
| <b>FS: Forest Service</b>                       |              |              |   |                            |                               |
| 08601-0008-41                                   | PA           | 02/11/19     | FS Initiatives to Address Workplace Misconduct  |                            |                               |
| 08601-0009-41                                   | PA           | 12/18/18     | FS Controls Over its Contract Closeout Process  |                            | \$988,743                     |
| <b>Total: 2</b>                                 |              |              |   |                            |                               |

| Report Number                                       | Report Type* | Release Date | Title   | Questioned Costs and Loans | Funds to Be Put to Better Use |
|---|--------------|--------------|---|----------------------------|-------------------------------|
| <b>Multi-agency</b>                                 |              |              |   |                            |                               |
| 50401-0016-11                                       | FA           | 11/15/18     | USDA's Consolidated Financial Statements for FY 2018    |                            |                               |
| 50401-0017-11                                       | FA           | 11/16/18     | USDA's Closing Package Financial Statements for FY 2018 |                            |                               |
| 50501-0018-12                                       | PA           | 10/12/18     | USDA, OCIO, FY 2018 FISMA                               |                            |                               |
| <b>Total: 3</b>                                     |              |              |   |                            |                               |
| <b>NRCS: Natural Resources Conservation Service</b> |              |              |   |                            |                               |
| 10403-0001-11                                       | FA           | 11/15/18     | NRCS' Balance Sheet for FY 2018                         |                            |                               |
| <b>Total: 1</b>                                     |              |              |   |                            |                               |
| <b>RMA: Risk Management Agency</b>                  |              |              |   |                            |                               |
| 05401-0010-11                                       | FA           | 11/08/18     | FCIC/RMA's Financial Statements for FYs 2018 and 2017   |                            |                               |
| <b>Total: 1</b>                                     |              |              |   |                            |                               |
| <b>RD: Rural Development</b>                        |              |              |   |                            |                               |
| 85401-0009-11                                       | FA           | 11/08/18     | RD's Financial Statements for FYs 2018 and 2017         |                            |                               |
| <b>Total: 1</b>                                     |              |              |   |                            |                               |
| <b>Grand Total: 16</b>                              |              |              |   | <b>\$1,396,566</b>         | <b>\$988,743</b>              |

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

## Appendix A.7: Management Decisions

The following audit did not have management decisions made on these report's recommendations within the 6-month limit imposed by Congress.

### Audit Reported in a Previous SARC but Not Yet Resolved

| Agency   | Date Issued | Title of Report   | Total Value at Issuance (in dollars) | Amount with No Management Decision (in dollars) |
|----------|-------------|---|--------------------------------------|---|
| NRCS     | 06/28/18    | NRCS Regional Conservation Partnership Program Controls | \$668,734                            | \$668,734                                       |
| Total: 1 |             |   |                                      |   |

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

#### NRCS Regional Conservation Partnership Program Controls

OIG found that NRCS did not always effectively administer or oversee the Regional Conservation Partnership Program (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 the two open recommendations, OIG generally recommended that NRCS recover any payments that are determined to be ineligible for technical assistance expenses. For these recommendations, we agree with NRCS' planned corrective actions but await additional documentation that demonstrates NRCS' actions (e.g., bills for collection of the amount of ineligible technical assistance payments owed to the Government). (Audit Report 10601-0004-31)



## **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 March 31, 2019, by Agency

| Grand Total | Total Number of Recommendations | Pending Collection (OCFO) | Pending Final Action (OCFO) | Pending Management Decision (OIG) |
|-------------|---------------------------------|---------------------------|-----------------------------|-----------------------------------|
|             | 431                             | 58                        | 351                         | 22                                |

| Audit Number                               | Audit Title  | Issue Date | Pending Recommendations | Pending Collection (OCFO) | Pending Final Action (OCFO) | Pending Management Decision (OIG) | Recommendation Details                 |
|--|--|------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|--|
| <b>AMS: Agricultural Marketing Service</b> |  |            |                         |                           |                             |                                   |  |
| 01601000121                                | National Organic Program—International Trade Arrangements and Agreements | 09/13/2017 | 1                       |                           | 1                           |                                   | Pending Final Action: 9                |
| 03601000241                                | AMS Commodity Purchases for International Food Assistance Programs       | 09/26/2018 | 4                       |                           | 4                           |                                   | Pending Final Action: 3, 4, 5, 6       |
| 30601000121                                | Controls Over Inspection of Exported Grain                               | 12/13/2018 | 6                       |                           | 6                           |                                   | Pending Final Action: 1, 2, 3, 4, 5, 6 |
| <b>Total</b>                               |  |            | <b>11</b>               |                           | <b>11</b>                   |                                   |  |
| <b>ARS: Agricultural Research Service</b>  |  |            |                         |                           |                             |                                   |  |
| 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                                      |
| <b>Total</b>   |   |            | <b>7</b>                |                           | <b>7</b>                    |                                   |  |
| <b>APHIS: Animal and Plant Health Inspection Service</b> |   |            |                         |                           |                             |                                   |  |
| 33099000123  | Texas Boll Weevil Eradication Foundation Cooperative Agreement                  | 05/31/2018 | 6                       | 1                         | 5                           |                                   | Pending Collection: 3<br>Pending Final Action: 1, 2, 4, 5, 6 |
| 33601000131  | APHIS: AWA—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                                |
| <b>Total</b>   |   |            | <b>16</b>               | <b>1</b>                  | <b>15</b>                   |                                   |  |
| <b>CCC: Commodity Credit Corporation</b>                 |   |            |                         |                           |                             |                                   |  |
| 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                                      |
|------------------------------------|---|------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|---|
| 06403000111                        | CCC's Financial Statements for FY 2018  | 11/09/2018 | 10                      |                           |                             | 10                                | Pending Management Decision: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10  |
| <b>Total</b>                       |   |            | <b>13</b>               |                           | <b>3</b>                    | <b>10</b>                         |   |
| <b>DM: Departmental Management</b> |   |            |                         |                           |                             |                                   |   |
| 50024000122                        | CIGIE Purchase Card Initiative<br>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                        | Office of Small and Disadvantaged Business Utilization's (OSDBU) Controls Over the Eligibility of Contract Recipients | 09/28/2018 | 3                       |                           | 3                           |                                   | Pending Final Action: 1, 2, 3                               |
| <b>Total</b>                       |   |            | <b>16</b>               |                           | <b>16</b>                   |                                   |   |
| <b>FSA: Farm Service Agency</b>    |   |            |                         |                           |                             |                                   |   |
| 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                                       |

| Audit Number | Audit Title   | Issue Date | Pending Recommendations | Pending Collection (OCFO) | Pending Final Action (OCFO) | Pending Management Decision (OIG) | Recommendation Details                                  |
|--------------|---|------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|---|
| 03501000112  | Review of FSA's Initiative to Modernize and Innovate the Delivery of Agricultural Systems | 05/26/2015 | 1                       |                           | 1                           |                                   | Pending Final Action: 3                                 |
| 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  | Agriculture Risk Coverage and Price Loss Coverage Programs                                | 09/20/2018 | 7                       | 1                         | 6                           |                                   | Pending Collection: 5<br>Final Action: 1, 2, 3, 4, 6, 7 |
| 036010007TE  | Emergency Feed Program in Texas   | 09/18/1996 | 3                       | 3                         |                             |                                   | Pending Collection: 4A, 5B, 6A                          |
| 036010012AT  | Tobacco Transition Payment Program—Quota Holder Payments and Flue-Cured Tobacco Quotas    | 09/26/2007 | 2                       | 2                         |                             |                                   | Pending Collection: 2, 6                                |
| 036010023KC  | Hurricane Relief Initiative: Livestock Indemnity and Feed Indemnity Programs              | 02/02/2009 | 1                       | 1                         |                             |                                   | Pending Collection: 4                                   |

| Audit Number                           | Audit Title   | Issue Date | Pending Recommendations | Pending Collection (OCFO) | Pending Final Action (OCFO) | Pending Management Decision (OIG) | Recommendation Details  |
|--|---|------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|---|
| 036010028KC                            | Biomass Crop Assistance Program: Collection, Harvest, Storage, and Transportation Matching Payments Program | 05/30/2012 | 3                       | 3                         |                             |                                   | Pending Collection: 16, 21, 24  |
| 03702000132                            | FSA Livestock Forage Program  | 12/10/2014 | 5                       | 1                         | 4                           |                                   | Pending Collection: 2<br>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   |
| <b>Total</b>                           |   |            | <b>33</b>               | <b>16</b>                 | <b>17</b>                   |                                   |   |
| <b>FNS: Food and Nutrition Service</b> |   |            |                         |                           |                             |                                   |   |
| 27004000123                            | New York's Controls Over SFSP   | 09/24/2018 | 18                      | 6                         | 12                          |                                   | Pending Collection: 5, 6, 7, 8, 9, 15<br>Pending Final Action: 1, 2, 3, 4, 10, 11, 12, 13, 14, 16, 17, 18 |



| Audit Number   | Audit Title                                  | Issue Date | Pending Recommendations | Pending Collection (OCFO) | Pending Final Action (OCFO) | Pending Management Decision (OIG) | Recommendation Details   |
|----------------|--|------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|--|
| 27004000123(1) | New York's Controls Over SFSP—Interim Report | 11/06/17   | 2                       |                           | 2                           |                                   | Pending Final Action: 2, 3   |
| 27004000131(1) | Florida's Controls Over SFSP—Interim Report  | 09/29/2017 | 2                       |                           | 2                           |                                   | Pending Final Action: 2, 3   |
| 27004000141    | California's Controls Over SFSP              | 11/05/2018 | 29                      | 5                         | 22                          | 2                                 | Pending Collection: 15, 16, 17, 18, 25<br><br>Pending Final Action: 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, 13, 14, 19, 20, 21, 22, 23, 24, 26, 27, 28, 29<br><br>Pending Management Decision: 1, 9 |
| 27004000321    | SFSP in Texas—Sponsor Costs                  | 03/14/2019 | 19                      | 5                         | 14                          |                                   | Pending Collection: 5, 6, 7, 8, 9<br><br>Pending Final Action: 1, 2, 3, 4, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19  |
| 27004000321(1) | SFSP—Texas Sponsor Costs—Interim Report      | 09/07/2017 | 2                       | 1                         | 1                           |                                   | Pending Collection: 1<br><br>Pending Final Action: 2   |

| Audit Number   | Audit Title   | Issue Date | Pending Recommendations | Pending Collection (OCFO) | Pending Final Action (OCFO) | Pending Management Decision (OIG) | Recommendation Details  |
|----------------|---|------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|---|
| 27004000421    | Texas' Controls Over SFSP   | 03/14/2019 | 17                      | 3                         | 14                          |                                   | Pending Collection: 10, 11, 17<br><br>Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8, 9, 12, 13, 14, 15, 16 |
| 27004000421(1) | Texas' Controls Over SFSP—Interim Report  | 09/28/2017 | 2                       |                           | 2                           |                                   | Pending Final Action: 2, 3  |
| 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                       | 4                         | 4                           |                                   | Pending Collection: 2, 11, 13, 16<br><br>Pending Final Action 5, 9, 14, 18                                |
| 27601000322    | SNAP Administrative Costs   | 09/29/2016 | 1                       |                           | 1                           |                                   | Pending Final Action: 2   |
| 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 | 5                       | 1                         | 4                           |                                   | Pending Collection: 4<br>Pending Final Action: 2, 3, 8, 9             |
| 27601001010  | Pennsylvania's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)                | 08/09/2017 | 5                       | 1                         | 4                           |                                   | Pending Collection: 3<br>Pending Final Action: 1, 2, 4, 5             |
| 27601001110  | South Carolina's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)              | 09/14/2017 | 9                       | 2                         | 7                           |                                   | Pending Collection: 4, 7<br>Pending Final Action: 1, 2, 3, 5, 6, 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    |
| 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                       |                           | 3                           |                                   | Pending Final Action: 1, 2, 3 |
| 27901000213  | Detecting Potential SNAP Trafficking Using Data Analysis  | 01/05/2017 | 3                       |                           | 3                           |                                   | Pending Final Action: 1, 2, 3 |
| 81099000112  | Audit of FNS' FY 2015 Firm-Fixed-Price Contract Award Price Reasonableness Determinations                             | 08/30/2017 | 2                       |                           | 2                           |                                   | Pending Final Action: 2, 3    |
| <b>Total</b> |   |            | <b>161</b>              | <b>28</b>                 | <b>131</b>                  | <b>2</b>                          |                               |



| Audit Number                                    | Audit Title  | Issue Date | Pending Recommendations | Pending Collection (OCFO) | Pending Final Action (OCFO) | Pending Management Decision (OIG) | Recommendation Details                          |
|---|--|------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|---|
| <b>FSIS: Food Safety and Inspection Service</b> |  |            |                         |                           |                             |                                   |   |
| 24016000123                                     | FSIS Followup on the 2007 and 2008 Audit Initiatives                             | 06/07/2017 | 8                       |                           | 8                           |                                   | Pending Final Action: 2, 3, 4, 5, 7, 12, 13, 17 |
| 24601000322                                     | FSIS' Compliance with Written Recall Procedures                                  | 03/26/2019 | 2                       |                           | 2                           |                                   | Pending Final Action: 1, 2                      |
| 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                         |
| <b>Total</b>                                    |  |            | <b>12</b>               |                           | <b>12</b>                   |                                   |   |
| <b>FAS: Foreign Agricultural Service</b>        |  |            |                         |                           |                             |                                   |   |
| 07601000122                                     | Private Voluntary Organization Grant Fund Accountability                         | 03/31/2014 | 4                       |                           | 4                           |                                   | Pending Final Action: 1, 2, 6, 10               |
| 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          |

| Audit Number              | Audit Title  | Issue Date | Pending Recommendations | Pending Collection (OCFO) | Pending Final Action (OCFO) | Pending Management Decision (OIG) | Recommendation Details                       |
|---------------------------|--|------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|--|
| 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 the U.S. Agency for International Development to USDA for Afghanistan                          | 02/06/2014 | 2                       |                           | 2                           |                                   | Pending Final Action: 1, 2                   |
| <b>Total</b>              |  |            | <b>18</b>               |                           | <b>18</b>                   |                                   |  |
| <b>FS: Forest Service</b> |  |            |                         |                           |                             |                                   |  |
| 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 | 8                       |                           | 8                           |                                   | Pending Final Action: 1, 2, 4, 5, 6, 7, 8, 9 |
| 08601000541               | FS' Plan for Addressing Climate Change   | 08/07/2017 | 2                       |                           | 2                           |                                   | Pending Final Action: 2, 10                  |
| 08601000741               | FS Controls Over Service Contracts   | 12/22/2017 | 2                       |                           | 2                           |                                   | Pending Final Action: 1, 8                   |
| 08601000841               | FS Initiatives to Address Workplace Misconduct   | 02/11/2019 | 8                       |                           | 8                           |                                   | Pending Final Action: 1, 2, 3, 4, 5, 6, 7, 8 |

| Audit Number        | Audit Title  | Issue Date | Pending Recommendations | Pending Collection (OCFO) | Pending Final Action (OCFO) | Pending Management Decision (OIG) | Recommendation Details   |
|---------------------|--|------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|--|
| 08601000841(1)      | FS Initiatives to Address Workplace Misconduct—Interim Report                | 03/05/2018 | 1                       |                           | 1                           |                                   | Pending Final Action: 4  |
| 08601000941         | FS Controls Over its Contract Closeout Process                               | 12/18/2018 | 6                       |                           | 6                           |                                   | Pending Final Action: 1, 2, 3, 5, 6, 7                             |
| <b>Total</b>        |  |            | <b>34</b>               |                           | <b>34</b>                   |                                   |  |
| <b>Multi-agency</b> |  |            |                         |                           |                             |                                   |  |
| 50501000512         | USDA's Implementation of Cloud Computing Services                            | 09/26/2014 | 1                       |                           | 1                           |                                   | Pending Final Action:<br>OCIO: 3                                   |
| 50601000322         | Coordination of USDA Farm Program Compliance—FSA, RMA, and NRCS              | 01/27/2017 | 1                       |                           | 1                           |                                   | Pending Final Action:<br>FSA, NRCS, RMA: 2                         |
| 50601000431         | USDA's Response to Antibiotic Resistance                                     | 03/30/2016 | 4                       |                           | 4                           |                                   | Pending Final Action:<br>APHIS: 7, 8, 9, 19                        |
| 50701000121         | USDA Agency Activities for Agroterrorism Prevention, Detection, and Response | 09/12/2018 | 9                       |                           | 9                           |                                   | Pending Final Action:<br>APHIS: 1, 4, 5, 9, 10<br>ARS: 2, 6, 7, 11 |

| 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:<br>FSA: 9   |
| <b>Total</b>  |   |            | <b>16</b>               | <b>1</b>                  | <b>15</b>                   |                                   |   |
| <b>NRCS: Natural Resources Conservation Service</b> |   |            |                         |                           |                             |                                   |   |
| 10099000123   | Controls Over the CIG Program   | 09/11/2018 | 13                      | 3                         | 10                          |                                   | Pending Collection: 3, 6, 9<br><br>Pending Final Action: 1, 2, 4, 5, 7, 8, 10, 11, 12, 13 |
| 10401000911   | NRCS' Balance Sheet for FY 2017   | 11/13/2017 | 2                       |                           | 2                           |                                   | Pending Final Action: 1, 3  |
| 10403000111   | NRCS' Balance Sheet for FY 2018   | 11/15/2018 | 1                       |                           |                             | 1                                 | Pending Management Decision: 2  |
| 10601000132   | Controls Over the Conservation Stewardship Program                                      | 09/27/2016 | 8                       | 4                         | 4                           |                                   | Pending Collection: 7, 16, 21, 26<br><br>Pending Final Action: 5, 6, 20, 25               |
| 10601000231   | NRCS Conservation Easement Compliance   | 07/30/2014 | 3                       |                           | 3                           |                                   | Pending Final Action: 1, 5, 10  |



| Audit Number                                       | Audit Title  | Issue Date | Pending Recommendations | Pending Collection (OCFO) | Pending Final Action (OCFO) | Pending Management Decision (OIG) | Recommendation Details  |
|--|--|------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|---|
| 10601000431  | NRCS RCPP Controls                                       | 06/28/2018 | 4                       |                           | 2                           | 2                                 | Pending Final Action: 1, 2<br>Pending Management Decision: 3, 4 |
| 10601000431(2)                                     | NRCS RCPP Controls—Interim Report                        | 11/13/2017 | 2                       | 1                         | 1                           |                                   | Pending Collection: 2<br>Pending Final Action: 1                |
| <b>Total</b>                                       |  |            | <b>33</b>               | <b>8</b>                  | <b>22</b>                   | <b>3</b>                          |   |
| <b>OHS: Office of Homeland Security</b>            |  |            |                         |                           |                             |                                   |   |
| 61701000121  | Agroterrorism Prevention, Detection, and Response        | 03/27/2017 | 4                       |                           | 4                           |                                   | Pending Final Action: 1, 2, 5, 13                               |
| <b>Total</b>                                       |  |            | <b>4</b>                |                           | <b>4</b>                    |                                   |   |
| <b>OCFO: Office of the Chief Financial Officer</b> |  |            |                         |                           |                             |                                   |   |
| 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   |
| 50401001611  | USDA's Consolidated Financial Statements for FY 2018     | 11/15/2018 | 1                       |                           | 1                           |                                   | Pending Final Action: 1   |
| 50601000731  | USDA WebTA Expense Reimbursement                         | 09/28/2017 | 2                       |                           | 2                           |                                   | Pending Final Action: 1, 2                                      |
| <b>Total</b>                                       |  |            | <b>7</b>                |                           | <b>7</b>                    |                                   |   |

| Audit Number   | Audit Title  | Issue Date | Pending Recommendations | Pending Collection (OCFO) | Pending Final Action (OCFO) | Pending Management Decision (OIG) | Recommendation Details  |
|--|--|------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|---|
| <b>OCIO: Office of the Chief Information Officer</b> |  |            |                         |                           |                             |                                   |   |
| 50501000212  | USDA, OCIO, FY 2011 FISMA  | 11/15/2011 | 1                       |                           | 1                           |                                   | Pending Final Action: 1   |
| 50501000312  | USDA, OCIO, FY 2012 FISMA  | 11/15/2012 | 3                       |                           | 3                           |                                   | Pending Final Action: 2, 3, 6   |
| 50501000812  | USDA, OCIO, FY 2015 FISMA  | 11/10/2015 | 1                       |                           | 1                           |                                   | Pending Final Action: 1   |
| 50501001212  | USDA, OCIO, FY 2016 FISMA  | 11/10/2016 | 1                       |                           | 1                           |                                   | Pending Final Action: 1   |
| 50501001212(2)                                       | Security Protocols and Connections for USDA's Public-Facing Websites | 11/09/2016 | 1                       |                           | 1                           |                                   | Pending Final Action: 1   |
| 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 Final Action: 1, 2, 3   |
| 50501001812  | USDA, OCIO, FY 2018 FISMA  | 10/12/2018 | 8                       |                           | 1                           | 7                                 | Pending Final Action: OBPA: 1<br>Pending Management Decision: 2, 3, 4, 5, 6, 7, 8 |
| 50501002012(1)                                       | Improper Usage of USDA's IT Resources                                | 06/27/2018 | 7                       |                           | 7                           |                                   | Pending Final Action: 1, 2, 3, 4, 5, 6, 7   |

| Audit Number                              | Audit Title  | Issue Date | Pending Recommendations | Pending Collection (OCFO) | Pending Final Action (OCFO) | Pending Management Decision (OIG) | Recommendation Details              |
|---|--|------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|-------------------------------------|
| 88401000112                               | Audit of the OCIO's FYs 2010 and 2011 Funding Received for Security Enhancements | 08/02/2012 | 1                       |                           | 1                           |                                   | Pending Final Action: 1             |
| <b>Total</b>                              |  |            | <b>27</b>               |                           | <b>20</b>                   | <b>7</b>                          |                                     |
| <b>OCS: Office of the Chief Scientist</b> |  |            |                         |                           |                             |                                   |                                     |
| 50601000631                               | Reviewing the Integrity of USDA's Scientific Research Program                    | 02/28/2018 | 5                       |                           | 5                           |                                   | Pending Final Action: 1, 2, 3, 4, 5 |
| <b>Total</b>                              |  |            | <b>5</b>                |                           | <b>5</b>                    |                                   |                                     |
| <b>RMA: Risk Management Agency</b>        |  |            |                         |                           |                             |                                   |                                     |
| 05401000911                               | FCIC/RMA's Financial Statements for FYs 2017 and 2016                            | 11/08/2017 | 1                       |                           | 1                           |                                   | Pending Final Action: 2             |
| 05401001011                               | FCIC/RMA's Financial Statements for FYs 2018 and 2017                            | 11/08/2018 | 1                       |                           | 1                           |                                   | Pending Final Action: 1             |
| 05601000141                               | RMA Indemnity Payments to Pistachio Producers                                    | 02/20/2018 | 1                       | 1                         |                             |                                   | Pending Collection: 1               |
| 05601000322                               | Actual Revenue History 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 |

| Audit Number                 | Audit Title   | Issue Date | Pending Recommendations | Pending Collection (OCFO) | Pending Final Action (OCFO) | Pending Management Decision (OIG) | Recommendation Details     |
|------------------------------|---|------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|----------------------------|
| 056010015TE                  | Crop Loss and Quality Adjustments for Aflatoxin-Infected Corn                       | 09/30/2008 | 1                       | 1                         |                             |                                   | Pending Collection: 1      |
| <b>Total</b>                 |   |            | <b>12</b>               | <b>2</b>                  | <b>10</b>                   |                                   |                            |
| <b>RD: Rural Development</b> |   |            |                         |                           |                             |                                   |                            |
| 04601000122                  | RHS' Controls Over Originating and Closing Single Family Housing (SFH) Direct Loans | 12/18/2017 | 2                       |                           | 2                           |                                   | Pending Final Action: 2, 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 Guaranteed Loan Program—Liquidation Value Appraisals—Interim Report             | 09/05/2018 | 1                       | 1                         |                             |                                   | Pending Collection: 2      |
| 346010006AT                  | RBS' Intermediary Relending Program   | 06/25/2010 | 1                       | 1                         |                             |                                   | Pending Collection: 1      |
| <b>Total</b>                 |   |            | <b>6</b>                | <b>2</b>                  | <b>4</b>                    |                                   |                            |



## **Appendix A.11: Information Described Under Section 804(b) of the FFMIA 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 U.S. Standard General Ledger at the transaction level. In addition, FISMA requires each agency to report significant information security deficiencies relating to financial management systems as a lack of substantial compliance with FFMIA. FFMIA also requires auditors to report in their annual Chief Financial Officer's Act financial statement audit reports whether financial management systems substantially comply with FFMIA's system requirements.

During the first half of FY 2019, we issued our annual financial statement reports for FY 2018 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. We concurred with the Department's assessment and discussed the compliance issues in our audit report on the Department's Consolidated Financial Statements for FY 2018. 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 U.S. Standard General Ledger.

## **Appendix A.12: Canceled Audits**

We have not canceled any audits during this reporting period.

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

We have no reports without agency comments for this reporting period. However, USDA agencies had 60 outstanding recommendations with a potential value of \$68.6 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 between 1992 and 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       |  |                          | \$68,626,720    |
| AMS         |  |                          |                 |
| 03601000241 | AMS Commodity Purchases For International Food Assistance Programs   |                          |                 |
|             | Review all outstanding unliquidated obligations and determine which need to be deobligated.                | 09/26/18                 | \$1,356,610     |
| APHIS       |  |                          |                 |
| 33099000123 | Texas Boll Weevil Eradication Foundation [TBWEF] Cooperative Agreement                                     |                          |                 |
|             | Collect the \$1,472 from TBWEF in FY 2015 Federal funding that TBWEF used on expenses incurred in FY 2014. | 05/31/18                 | \$1,472         |

| Report #    | Recommendation Cited  | Management Decision Date | Released Amount |
|-------------|---|--------------------------|-----------------|
| <b>FNS</b>  |   |                          |                 |
| 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 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         |
| 27601001010 | <i>Pennsylvania's Compliance with SNAP Requirements for Participating State Agencies (7 CFR, Part 272)</i>  |                          |                 |
|             | Require Pennsylvania Department of Human Services to provide guidance and/or training to case workers and new employees to ensure compliance with 7 CFR §272.13 Prisoner Verification System [PVS] requirements, with emphasis on the requirements associated with providing notice to the households of PVS match results and establishment of claims for individuals who have been incarcerated for over 30 days. | 08/09/17                 | \$969           |
| 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.  | 09/24/18                 | \$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.  | 09/24/18                 | \$48,157        |
|             | Direct the State agency to confirm the OIG-identified questionable reimbursements (\$630) and to recover any disallowed reimbursements from the SFSP sponsors.  | 09/24/18                 | \$630           |



| Report #    | Recommendation Cited  | Management Decision Date | Released Amount |
|-------------|---|--------------------------|-----------------|
|             | Direct the State agency to confirm the OIG-identified questionable meal reimbursements (\$2,911) and recover any disallowed reimbursements from the SFSP sponsors.  | 09/24/18                 | \$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.   | 09/24/18                 | \$26,037        |
|             | Direct the State agency to recover SFSP funds in the amount of \$260 for questionable reimbursements for overclaimed meals.   | 09/24/18                 | \$260           |
| 27004000141 | <i>California's Controls Over SFSP</i>  |                          |                 |
|             | Direct the State agency to confirm the sponsor questionable costs totaling \$214,441 identified by OIG, and recover any disallowed costs from the SFSP sponsors.  | 11/05/18                 | \$214,441       |
|             | Direct the State agency to confirm the sponsor unsupported costs totaling \$100,536 identified by OIG, and recover any disallowed costs from the SFSP sponsors.   | 11/05/18                 | \$100,536       |
|             | Direct the State agency to confirm the sponsor questionable meal claims totaling \$18,923 identified by OIG, and recover any disallowed SFSP reimbursements from the sponsors.  | 11/05/18                 | \$18,923        |
|             | Direct the State agency to confirm the sponsor unsupported meal claims totaling \$42,860 identified by OIG, and recover any disallowed SFSP reimbursements from the sponsors.   | 11/05/18                 | \$42,860        |
|             | Direct the State agency to confirm whether the sponsors claimed any of the OIG-identified questionable, nonreimbursable meals counted by the sites. If the sponsor claimed these meals, direct the State agency to recover the \$430 in questionable meal claims. | 11/05/18                 | \$430           |

| Report #    | Recommendation Cited   | Management Decision Date | Released Amount |
|-------------|--|--------------------------|-----------------|
| 27004000321 | <i>SFSP in Texas—Sponsor Costs</i>   |                          |                 |
|             | Direct the State agency to review questioned costs of \$646,037 related to 217,040 nonreimbursable meals associated with the eight sponsors in our audit and recover costs determined to be unsupported. Where necessary, declare identified sponsors seriously deficient and, if the deficiencies are not fully and permanently corrected, terminate their participation in SFSP. | 03/14/19                 | \$646,037       |
|             | Direct the State agency to review unsupported costs of \$13,705 associated with the eight sponsors in our audit and recover costs determined to be unsupported.  | 03/14/19                 | \$13,705        |
|             | Request the State agency to review unallowable costs of \$9,960 associated with the eight sponsors in our audit and recover costs determined to be unsupported.  | 03/14/19                 | \$9,960         |
|             | Direct the State agency to review questioned costs of \$34,506 paid to the sponsors in our audit that claimed 9,214 nonreimbursable meals and recover costs determined to be unsupported.  | 03/14/19                 | \$34,506        |
|             | Direct the State agency to determine if the other nine sponsors claimed \$33,397 in nonreimbursable meals identified by our audit. The State agency should recover any amount it determines is unallowable.  | 03/14/19                 | \$33,397        |
| 27004000421 | <i>Texas' Controls Over SFSP</i>   |                          |                 |
|             | Direct the State agency to review the sponsors' unsupported meals claimed totaling \$28,201 identified by OIG, and recover any disallowed SFSP reimbursements from the sponsors.   | 03/14/19                 | \$28,201        |
|             | Direct the State agency to review the sponsors' questionable costs totaling \$253,369 identified by OIG, and recover any disallowed expenditures from the sponsors.  | 03/14/19                 | \$253,369       |

| Report #    | Recommendation Cited  | Management Decision Date | Released Amount |
|-------------|---|--------------------------|-----------------|
|             | Direct the State agency to determine if the four identified sponsors received approximately \$201 in reimbursements for the 53 meals we identified as nonreimbursable during site observations. The State agency should recover any reimbursements paid to sponsors for those nonreimbursable meals identified by our review. | 03/14/19                 | \$201           |
| <b>FS</b>   |   |                          |                 |
| 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.  | 12/22/17                 | \$19,400        |
| 08601000941 | <i>FS Controls Over its Contract Closeout Process</i>   |                          |                 |
|             | Develop and implement a mechanism to nationally track FS' contract closeout and deobligation status.  | 03/14/19                 | \$984,423       |
|             | Determine whether the sampled contract where the period of performance ended in May 2015 should be closed and deobligate excess funds, if warranted.  | 03/14/19                 | \$4,320         |
| <b>FSA</b>  |   |                          |                 |
| 030060001TE | <i>1993 Crop Disaster Payments—Brooks/Jim Hogg Cos., TX</i>   |                          |                 |
|             | Coordinate with OIG Investigations before taking administrative action regarding the cited 27 producers whose eligibility was questioned. Take administrative action to recover payments on cases that are not handled through the legal system.  | 07/01/02                 | \$2,203,261     |

| Report #    | Recommendation Cited  | Management Decision Date | Released Amount |
|-------------|---|--------------------------|-----------------|
| 036010007TE | <i>Emergency Feed Program in Texas</i>  |                          |                 |
|             | Instruct the Reeves County Executive Director [CED] to recover the cited ineligible benefits from Producer A (\$30,773) and Producer B (\$21,620).  | 01/12/01                 | \$52,393        |
|             | If the County Committee determines a scheme or device was used to defeat the purpose of the Emergency Feed Program, instruct the Reeves CED to recover the \$70,529 in benefits paid this producer for crop years 1994 and 1995 and cancel the \$12,350 in benefits which otherwise are available for the 1995 crop year. (NOTE: \$30,773 of this amount is also included in Recommendation No. 4.) | 01/12/01                 | \$52,106        |
|             | Instruct the Reeves County Committee to review the validity of the 1994 Emergency Feed Program form CCC-651 for Producer B and determine the eligibility of the producer and the \$32,546 in benefits paid for crop year 1994. (NOTE: \$21,620 of this amount is also included in Recommendation No. 4.)  | 01/12/01                 | \$10,926        |
| 500990011SF | <i>Crop Bases on Lands with Conservation Easements</i>  |                          |                 |
|             | Direct FSA's California State office to remove crop bases from the 33 easement-encumbered lands and to recover \$1,290,147 in improper payments.  | 01/15/09                 | \$1,290,147     |
|             | Direct the California FSA State office to remove crop bases from Grassland Reserve Program easement-encumbered lands and to recover \$20,818 in improper payments from producers who received farm subsidy payments.  | 01/15/09                 | \$20,818        |



| Report #    | Recommendation Cited  | Management Decision Date | Released Amount |
|-------------|---|--------------------------|-----------------|
| 036010012AT | <i>Tobacco Transition Payment Program—Quota Holder Payments and Flue-Cured Tobacco Quotas</i>   |                          |                 |
|             | Instruct Kentucky, North Carolina, South Carolina, and Virginia to require the 5 county offices to review the 14 contracts where applicants did not meet FSA's eligibility requirements and take appropriate recovery actions to collect \$119,568 of improper payments made in FYs 2005, 2006, and 2007.   | 02/26/08                 | \$119,568       |
|             | Review the two transfers with overstated base quota level [BQL] data, correct the BQL data, and recompute the Tobacco Transition Payment Program contracts and associated payments to correct overstated contracts totaling \$26,992. In addition, review and correct the contracts associated with the remaining six common ownership transfers in Virginia in which errors were originally found. | 03/18/09                 | \$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.)   | 01/30/09                 | \$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.   | 03/16/11                 | \$860,971       |

| Report #    | Recommendation Cited  | Management Decision Date | Released Amount |
|-------------|---|--------------------------|-----------------|
| 506010015AT | <i>Hurricane Indemnity Program—<br/>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 [AIP] to reverse the changes, and provide FSA a list of these corrections. | 09/30/10                 | \$1,061,958     |
| 036010028KC | <i>Biomass Crop Assistance Program: Collection, Harvest, Storage, and Transportation Matching Payments</i>  |                          |                 |
|             | Require the field office in Johnson County, Missouri, to: (1) review all delivery documents submitted by participating owners in support of disbursed matching payments; (2) identify all improperly established dry weight ton equivalents of biomass material eligible for matching payments (i.e., all those not reduced to zero percent moisture); and (3) recover all associated improper payments.  | 09/20/12                 | \$3,352         |

| Report #    | Recommendation Cited   | Management Decision Date | Released Amount |
|-------------|--|--------------------------|-----------------|
|             | Require, through direction to the appropriate State offices, that county offices recover the improperly issued matching payments associated with deliveries of biomass material completed prior to approval of the owners' collecting, harvesting, storing, and transporting applications.   | 09/20/12                 | \$280,142       |
|             | Based on the determinations reached regarding scheme or device, initiate appropriate administrative actions including the termination of any violated facility agreements and the recovery of any improperly disbursed matching payments plus interest. Coordinate with OIG Investigations prior to initiating any administrative actions. | 09/20/12                 | \$95,675        |
| 50703000123 | <i>American Recovery and Reinvestment Act Trade Adjustment Assistance for Farmers Program</i>  |                          |                 |
|             | Collect Trade Adjustment Assistance for Farmers Program payments, totaling \$84,000, from those producers whose self-certification was not supported by their records submitted to OIG.  | 09/10/14                 | \$84,000        |
| 03702000132 | <i>Livestock Forage Program</i>  |                          |                 |
|             | Review and recover improper overpayments of \$358,956 due to errors in calculating Livestock Forage Program payments.  | 09/18/15                 | \$358,956       |
| 03601000231 | <i>Agriculture Risk Coverage and Price Loss Coverage [PLC] Programs</i>  |                          |                 |
|             | Review and recover improper overpayments of \$107,794 due to incorrect PLC yields.   | 09/20/18                 | \$107,794       |

| Report #     | Recommendation Cited   | Management Decision Date | Released Amount |
|--------------|--|--------------------------|-----------------|
| <b>OSDBU</b> |  |                          |                 |
| 50601000323  | <i>OSDBU's Controls Over the Eligibility of Contract Recipients</i>  |                          |                 |
|              | Work with the USDA agencies to determine what actions need to be taken against the four businesses that could not support their disadvantaged status. Consider taking suspension and debarment actions to prevent other USDA agencies and other Federal Departments from contracting with those businesses.  | 09/28/18                 | \$11,389,509    |
| <b>NRCS</b>  |  |                          |                 |
| 10601000132  | <i>Controls Over the Conservation Stewardship Program [CSP]</i>  |                          |                 |
|              | For the five contracts in which the agricultural operations were not substantially separate from other agricultural operations, require the State Conservationist to: (1) coordinate with FSA to determine the proper delineation and (2) determine if the participants engaged in any misrepresentation, scheme, or device for CSP purposes. If the State Conservationist determines the participants engaged in misrepresentation, scheme, or device, terminate the participants' interests in all CSP contracts and determine whether there is cause for consideration of suspension and debarment for the participants. If participants did not engage in misrepresentation, scheme, or device, modify or terminate the contract and deobligate funds, as appropriate. | 10/23/17                 | \$240,604       |



| Report # | Recommendation Cited  | Management Decision Date | Released Amount |
|----------|---|--------------------------|-----------------|
|          | For the remaining six contracts in which the agricultural operations were inconsistently delineated, direct the Arkansas and Oklahoma State Conservationists to modify and/or terminate the contracts and to deobligate funds, as appropriate.  | 09/27/16                 | \$720,000       |
|          | Direct the Arkansas and Oklahoma State Conservationists to recover any overpayments and liquidated damages resulting from the modifications or terminations of the contracts on which the participant(s) inconsistently delineated their agricultural operations.   | 09/21/2018               | \$1,740,906     |
|          | For each of the 29 contracts on which the participants claimed payment shares inconsistent with their reported member shares of the operation, if the State Conservationist determines the participants engaged in any misrepresentation, scheme, or device to avoid payment limitation, terminate the participants' interests in all CSP contracts and deobligate funds, as appropriate. Also, determine whether there is cause for consideration of suspension and debarment for the participants.  | 09/27/2016               | \$1,781,950     |
|          | For each of the 29 contracts on which the participants claimed payment shares inconsistent with their reported member shares of the operation, recover any overpayments and liquidated damages resulting from operational adjustments to, or termination of, the contracts. For any cases in which the State Conservationist determines the participants engaged in any misrepresentation, scheme, or device, recover any overpayments and liquidated damages resulting from termination of the participants' interests in all other CSP contracts. | 09/21/2018               | \$2,676,920     |

| Report #    | Recommendation Cited   | Management Decision Date | Released Amount |
|-------------|--|--------------------------|-----------------|
|             | Direct the Arkansas State NRCS office to make operational adjustment modifications to, or cancel, as appropriate, each of the 15 contracts identified as containing incompatible enhancements that occupy, or may occupy, the same space. Deobligate funds for the contracts as appropriate.   | 09/27/16                 | \$1,051,055     |
|             | Require the Arkansas State NRCS office to recover any improper payments on each contract NRCS has determined (under Recommendation 20) includes incompatible enhancements that occupy the same space.  | 07/19/2018               | \$1,805,200     |
|             | For the 21 contracts for which participants were unable to provide required job sheet documentation to demonstrate effective and timely implementation of enhancements, direct the State Conservationists to make operational adjustment modifications to the contracts and/or terminate the contracts and deobligate funds, as appropriate.           | 09/27/2016               | \$395,962       |
|             | For the 21 contracts for which participants were unable to provide required job sheet documentation to demonstrate effective and timely implementation of enhancements, direct the State Conservationists to recover any overpayments and liquidated damages resulting from operational adjustment modifications to, or termination of, the contracts. | 09/05/2018               | \$1,093,943     |
| 10099000123 | <i>Controls Over Conservation Innovation Grants [CIG]</i>  |                          |                 |
|             | Ensure the identified \$1,271,659 of insufficiently supported matching funds is verified and reconciled. NRCS should take appropriate action where applicable.   | 09/11/18                 | \$1,271,659     |

| Report #       | Recommendation Cited   | Management Decision Date | Released Amount |
|----------------|--|--------------------------|-----------------|
|                | 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. | 09/11/18                 | \$7,891,453     |
| <b>RBS</b>     |  |                          |                 |
| 346010006AT    | <i>RBS' Intermediary Relending Program</i>   |                          |                 |
|                | Recover \$7.9 million from intermediaries that made loans to borrowers for ineligible purposes, amounts, and nonrural areas.   | 03/02/12                 | \$7,909,538     |
| <b>RHS</b>     |  |                          |                 |
| 04601000122(1) | <i>RHS' Controls Over Originating and Closing SFH Direct Loans</i>   |                          |                 |
|                | Credit the borrower's outstanding loan balance by \$11,343 plus interest accrued for the payment provided to the contractor.   | 12/22/16                 | \$11,343        |
| 04601000123(1) | <i>SFH Guaranteed Loan Program—Liquidation Value Appraisals—Interim</i>  |                          |                 |
|                | Recover approximately \$768,722 in funds due to RD from lenders.   | 09/05/18                 | \$768,722       |
| <b>RMA</b>     |  |                          |                 |
| 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.  | 09/20/12                 | \$15,951,016    |
| 05601000322    | <i>Actual Revenue History Underwriting For Sweet Cherries</i>  |                          |                 |
|                | Require 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 March 31, 2019)\***

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.)



## **Appendix A.15: Summary of Audit Reports for Which the Department Has Not Returned Comment Within 60 Days of Receipt of the Report**

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

# APPENDIX B: INVESTIGATIONS TABLES

## Appendix B.1: Summary of Investigative Activities, October 1, 2018–March 31, 2019

|   |                                       |         |
|---|---------------------------------------|---------|
| <b>Reports Issued: 68</b>                     | Cases Opened                          | 108     |
|   | Cases Referred for Prosecution        | 75      |
| <b>Impact of Investigations</b>               | Indictments                           | 175     |
|   | Convictions <sup>a</sup>              | 249     |
|   | Searches                              | 114     |
|   | Arrests                               | 220     |
|   | Recoveries/Collections <sup>b</sup>   | \$9.37  |
| <b>Total Dollar Impact (Millions): \$73.8</b> | Restitutions <sup>c</sup>             | \$41.52 |
|   | Fines <sup>d</sup>                    | \$1.32  |
|   | Asset Forfeitures <sup>e</sup>        | \$14.37 |
|   | Claims Established <sup>f</sup>       | \$2.69  |
|   | Cost Avoidance <sup>g</sup>           | \$2.90  |
|   | Administrative Penalties <sup>h</sup> | \$1.63  |
| <b>Administrative Sanctions: 120</b>          | Employees                             | 16      |
|   | Businesses/Persons                    | 104     |

<sup>a</sup> Includes convictions and pretrial diversions. The period of time to obtain court action on an indictment varies widely; therefore, the 249 convictions do not necessarily relate to the 220 arrests or the 175 indictments.

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

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

<sup>d</sup> Fines are court-ordered penalties and include special assessments.

<sup>e</sup> Asset forfeitures are judicial or administrative results and continue to fluctuate through the life of the process.

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

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

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

## Appendix B.2: Indictments and Convictions

### Indictments and Convictions—October 1, 2018–March 31, 2019

| Agency       | Indictments | Convictions* |
|--------------|-------------|--------------|
| AMS          | 6           | 2            |
| APHIS        | 24          | 19           |
| ARS          | 1           | 1            |
| FNS          | 125         | 201          |
| FS           | 1           | 1            |
| FSA          | 7           | 14           |
| FSIS         | 3           | 2            |
| Multi-agency | 1           | 1            |
| NIFA         | 0           | 2            |
| RBS          | 0           | 2            |
| RHS          | 3           | 0            |
| RMA          | 4           | 4            |
| <b>Total</b> | <b>175</b>  | <b>249</b>   |

\*This category includes pretrial diversions.

## Appendix B.3: OIG Hotline

### Number of Complaints Received

| Type                             | Number       |
|----------------------------------|--------------|
| Employee Misconduct              | 143          |
| Participant Fraud                | 7,069        |
| Waste/Mismanagement              | 130          |
| Health/Safety Problem            | 12           |
| Opinion/Information              | 43           |
| Bribery                          | 1            |
| Reprisal                         | 2            |
| <b>Total Complaints Received</b> | <b>7,400</b> |

### Disposition of Complaints

| Method of Disposition   | Number |
|---|--------|
| Referred to OIG Audit or Investigations for Review                    | 82     |
| Referred to Other Law Enforcement Agencies                            | 0      |
| Referred to USDA Agencies for Response                                | 237    |
| Referred to FNS for Tracking  | 6,802  |
| Referred to USDA or Other Agencies for Information—No Response Needed | 227    |
| Filled Without Referral—Insufficient Information                      | 23     |
| Referred to State Agencies  | 29     |

## Appendix B.4: Additional Investigations Information

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

| Description of Data |  | Number | Explanation  | Source of Data  |
|---------------------|--|--------|--|---|
| 1                   | Number of reports issued                             | 68     |  | Number obtained from ARGOS database is routinely reported.  |
| 2                   | Number of people referred to DOJ—criminal            | 126    | Number of people referred for Federal prosecution in FY 2019, first half.                    | Created a report from the database to show cases referred for prosecution during the first half of FY 2019. 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               | 4      | Of the 126 people reported above, 4 were referred to DOJ for both criminal and civil action. | Same as number 2 above.   |
| 3                   | Number of people referred to State/local authorities | 62     | Number of people referred to State/local authorities in FY 2019, first half.                 | Created a report from the database to show cases referred for prosecution during the first half of FY 2019. 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 | 32     | Of the 62 people reported above, 32 were referred to both Federal and State entities.        | Same as number 3 above.   |



|   |                                  |     |  |   |
|---|----------------------------------|-----|--|---|
| 4 | Indictments from prior referrals | 154 | Indictments include other charging mechanisms. | Created a report from the database to show cases that had indictments and/or other charging mechanisms claimed during FY 2019, first half, regardless of when they were referred. |
| 5 | Convictions from prior referrals | 245 | Convictions include pretrial diversions.       | Created a report from the database to show cases that had convictions and/or pre-trial diversions claimed during FY 2019, first half, regardless of when they were referred.      |

## **Appendix B.5: OIG Investigations Involving a Senior Government Employee Where Allegations of Misconduct Were Substantiated<sup>10</sup>**

A GS-15 research plant pathologist with ARS was suspended indefinitely due to search warrant affidavit information provided by OIG. Ultimately, he retired. In October 2018, he pled guilty to one count of attempted sexual exploitation of a minor for child pornography found on a personal electronic device found by the Pima County Sheriff's Department. On December 10, 2018, he was sentenced to 25 years of probation and had to register as a sex offender.

A GS-15 management services director with APHIS was suspended indefinitely in September 2018 and was then removed, effective October 2018, for approving \$28,800 in fraudulent honorarium payments to friends or acquaintances over the span of 3 years.

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

We have no instances to report.

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<sup>10</sup>The investigative results reported in this appendix are derived from closed investigations in which all action is complete.

## **Appendix B.7: Attempts by the 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**

We have no instances to report.

# 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

|          |   |
|----------|---|
| ADA      | Anti-Deficiency Act   |
| AIP      | approved insurance provider                                   |
| AMS      | Agricultural Marketing Service                                |
| APHIS    | Animal and Plant Health Inspection Service                    |
| ARS      | Agricultural Research Service                                 |
| ASOC     | Agriculture Security Operations Center                        |
| AWA      | Animal Welfare Act  |
| BQL      | base quota level  |
| CCC      | Commodity Credit Corporation                                  |
| CED      | County Executive Director                                     |
| CIG      | Conservation Innovation Grants                                |
| CIGIE    | Council of the Inspectors General on Integrity and Efficiency |
| COR      | Contracting Officer's Representative                          |
| CPA      | certified public accounting                                   |
| CSP      | Conservation Stewardship Program                              |
| DATA Act | Digital Accountability and Transparency Act                   |
| DFCS     | Division of Family and Children Services                      |
| DOJ      | U.S. Department of Justice                                    |
| EBT      | electronic benefits transfer                                  |
| EEO      | equal employment opportunity                                  |
| FBI      | Federal Bureau of Investigation                               |
| FCIC     | Federal Crop Insurance Corporation                            |
| FFMIA    | Federal Financial Management Improvement Act of 1996          |
| FGIS     | Federal Grain Inspection Service                              |
| 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                        |
| GIPSA . . . . .    | Grain Inspection, Packers and Stockyards Administration |
| GS . . . . .       | General Schedule  |
| HIP . . . . .      | Hurricane Indemnity Program                             |
| HSI . . . . .      | Homeland Security Investigations                        |
| HUD . . . . .      | U.S. Department of Housing and Urban Development        |
| IG . . . . .       | Inspector General                                       |
| INTERPOL . . . . . | International Criminal Police Organization              |
| IRS-CI . . . . .   | Internal Revenue Service-Criminal Investigation         |
| IRP . . . . .      | Intermediary Relending Program                          |
| IT . . . . .       | information technology                                  |
| JTTF . . . . .     | Joint Terrorism Task Force                              |
| NIFA . . . . .     | National Institute of Food and Agriculture              |
| NPIS . . . . .     | New Poultry Inspection System                           |
| NRCS . . . . .     | Natural Resources Conservation Service                  |
| NYPD . . . . .     | New York City Police Department                         |
| OCFO . . . . .     | Office of the Chief Financial Officer                   |
| OCIO . . . . .     | Office of the Chief Information Officer                 |
| ODS . . . . .      | Office of Data Sciences                                 |
| OIG . . . . .      | Office of Inspector General                             |
| OMB . . . . .      | Office of Management and Budget                         |
| OPM . . . . .      | Office of Personnel Management                          |
| OSDBU . . . . .    | Office of Small and Disadvantaged Business Utilization  |
| PHIS . . . . .     | Public Health Information System                        |
| PLC . . . . .      | price loss coverage                                     |
| 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   |
| SBIR . . . . .  | Small Business Innovation Research                                      |
| SFH . . . . .   | Single Family Housing   |
| SFSP . . . . .  | Summer Food Service Program   |
| SNAP . . . . .  | Supplemental Nutrition Assistance Program                               |
| TBWEF . . . . . | Texas Boll Weevil Eradication Foundation                                |
| USAO . . . . .  | U.S. Attorney's Office  |
| USDA . . . . .  | U.S. Department of Agriculture  |
| USSS . . . . .  | U.S. Secret Service   |
| 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 17–20, 41–42, and 47
2. Information Technology Security Needs Continuous Improvement: Pages 3 and 19–20
3. USDA Needs to Strengthen Program Performance and Performance Measures: Pages 17 and 46–47
4. USDA Needs to Strengthen Controls Over Improper Payments and Financial Management: Pages 42–46
5. USDA Needs to Improve Outreach Efforts: Page 17
6. Food Safety Inspections Need Improved Controls: Pages 3–5
7. FNS Needs to Strengthen SNAP Management Controls: Pages 37 and 52

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