



United States Department of Agriculture  
Office of Inspector General



# KEY OIG ACCOMPLISHMENTS IN THIS REPORTING PERIOD (April 1-September 30, 2015)

## SUMMARY OF AUDIT ACTIVITIES: FY 2015, 2nd Half

### Reports Issued

Number of Final Reports .....	24
Number of Interim Reports .....	1
Number of Final Report Recommendations (131 program improvement/14 monetary) .....	145
Number of Interim Report Recommendations (0 program improvement/0 monetary) .....	0

<b>Total Dollar Impact of Reports at Issuance (Millions) .....</b>	<b>\$776.2</b>
Questioned/Unsupported Costs .....	\$758.9
Funds to Be Put to Better Use .....	\$17.3

### Management Decisions Reached

Number of Reports .....	19
Number of Recommendations (117 program improvement/19 monetary) .....	136

## SUMMARY OF INVESTIGATIVE ACTIVITIES: FY 2015, 2nd Half

<b>Reports Issued .....</b>	<b>133</b>
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### Impact of Investigations

Indictments .....	289
Convictions .....	428
Arrests .....	327

<b>Total Dollar Impact (Millions) .....</b>	<b>\$175.2</b>
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<b>Administrative Sanctions .....</b>	<b>478</b>
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## OIG MAJOR USDA MANAGEMENT CHALLENGES: August 2015

Management Challenge	Related material can be found on pages:
1) USDA Needs to Improve Oversight and Accountability for Its Programs	1-2, 6-8, 20-22
2) Information Technology Security Needs Continuing Improvement	20, 22
3) USDA Needs to Strengthen Program Performance and Performance Measures	6-8
4) USDA Needs to Strengthen Controls Over Improper Payments and Financial Management	6-7, 19-22
5) USDA Needs to Improve Outreach Efforts	7-8, 21
6) Food Safety Inspections Need Improved Controls	2
7) FNS Needs to Strengthen SNAP Management Controls	6

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

## Message from the Inspector General

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This *Semiannual Report to Congress* (SARC) covers the 6-month period ending September 30, 2015, and summarizes the most significant accomplishments of the U.S. Department of Agriculture's (USDA) Office of Inspector General (OIG). During this period, our Office has worked extensively with the Department, Congress, and other Federal agencies to safeguard the integrity and efficiency of USDA programs.

During the past 6 months, our investigations have led to 327 arrests, 428 convictions, and \$175.2 million in recoveries and restitutions. Our audits have resulted in 145 recommendations for program improvements and \$776.2 million in questioned costs or funds put to better use. Our activities are described according to our strategic goals, as outlined in the *OIG Strategic Plan* for fiscal years (FY) 2013-2018.

The highlights of these activities discussed below illustrate OIG's mission to detect and prevent fraud, waste, and abuse in USDA programs.

### **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**

An OIG investigation determined that the former vice president and former director of maintenance of a helicopter business knowingly submitted falsified performance charts, as well as falsified aircraft weight and balance (W&B) documents to the Forest Service (FS). Company pilots relied on this information which led to a helicopter crash in August 2008 where nine people were killed, including one FS employee. Following the crash, the National Transportation Safety Board (NTSB) determined that the pilots of the helicopter unknowingly relied upon a falsified performance chart and falsified W&B documents in calculating the helicopter's maximum allowable payload. NTSB determined that, by depending on these falsified documents, the pilots unknowingly exceeded the aircraft's maximum allowable payload by 1,458 pounds, which was a major contributing factor to the crash. The former vice president was sentenced to 151 months in prison, followed by 36 months of supervised release. The former director of maintenance was sentenced to 25 months in prison, followed by 36 months of supervised release.

OIG also identified weaknesses in the Animal and Plant Health Inspection Service's (APHIS) controls and regulations concerning genetically engineered (GE) organisms. Specifically, our audit found that APHIS does not (1) have adequate controls in place to monitor field trial locations; (2) have a written process for selecting permits for inspection based on risk; (3) maintain a compliance database that is complete, accurate, and consistent; (4) use compliance history in approving applications for permits or notifications; and (5) maintain sufficient records of a petition's progress through the review process. APHIS generally agreed to take additional steps to address our recommendations.

### **Goal 2—Integrity of Benefits—Reduce program vulnerabilities and strengthen program integrity in the delivery of program assistance**

Our review of the Food and Nutrition Service's (FNS) Supplemental Nutrition Assistance Program (SNAP) found that the eight States we sampled weakened the quality control (QC) process of the program by using third-party consultants and error review committees to mitigate QC-identified errors, and the State QC staff treated error cases inconsistently. Further, State QC reviews for all States did not meet SNAP regulatory requirements, and Federal oversight of State QC was inadequate. As a result, FNS' QC process understated SNAP's error rate. While FNS' response to the report expressed concerns with our review, we were able to reach agreement on the corrective actions for 10 of the report's recommendations.

OIG began an investigation after receiving information of a possible \$4 million loan fraud involving a business loan made through Rural Development's Guaranteed Loan Program. The owner of a computer data storage facility in Montana ultimately pled guilty to money laundering and was sentenced to 56 months in prison, followed by 36 months of supervised release, and was ordered to pay \$3.7 million in restitution.

A significant portion of OIG's investigative resources is dedicated to ensuring the integrity of SNAP. During the second half of FY 2015, OIG's efforts led to 319 convictions for SNAP fraud, including a Virginia case where a store owner and his son were convicted of unlawfully redeeming more than \$2.3 million in SNAP benefits for U.S. currency. The store owner was ordered to pay \$2.3 million in restitution.

### **Goal 3—Management Improvement Initiatives—Provide USDA with oversight to help it achieve results-oriented performance**

While USDA has made progress in this area, weaknesses still remain. For example, the Farm Service Agency (FSA) reported to Congress in 2010 that \$305 million would allow the agency to consolidate its 31 programs into the Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) by the end of FY 2012. An OIG audit found that MIDAS is 2 years behind schedule, approximately \$140 million over budget, and has a projected cost of nearly \$824 million by 2022. As of April 1, 2015, FSA had obligated over \$444 million to this project and had retired only 1 of the 66 applications which were to be replaced by MIDAS. In 2014, operations on MIDAS development ceased. Going forward, USDA and FSA must decide if they can leverage the enterprise solution's functionality in a way that supports its annual cost of over \$50 million. FSA concurred with the recommendations in the report.

An example of an employee integrity investigation revealed that a Rural Development Centralized Servicing Center manager had created a vacancy for which her boyfriend applied and she subsequently hired him, although she knew he did not have the requisite experience for the job. Through a pre-trial diversion agreement, the manager was fined \$100,000 and was required to resign from her position.

Together, these accomplishments are the result of the dedicated work of OIG's professional staff and their commitment to ensuring the efficiency and effectiveness of USDA programs. Our success, in large part, is due to the continued support of USDA Secretary Thomas J. Vilsack and Deputy Secretary Krysta Harden, as well as interested Committees and Members of Congress.

Phyllis K. Fong  
Inspector General

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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 health of the American people as well as agricultural and Departmental resources

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

In the second half of FY 2015, we devoted 14.8 percent of our total direct resources to Goal 1, with 99.4 percent of these resources assigned to critical-risk and high-impact work. A total of 85.7 percent of our investigative cases under Goal 1 resulted in criminal, civil, or administrative action. OIG's investigations under Goal 1 yielded 3 indictments, 12 convictions, and approximately \$2.1 million in monetary results during this reporting period. OIG issued four audit reports and one interim report under Goal 1 during this reporting period.

### Management Challenges Addressed Under Goal 1

- USDA Needs to Improve Oversight and Accountability for its Programs
- Food Safety Inspections Need Improved Controls

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

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#### Controls over APHIS' Introduction of Genetically Engineered Organisms

APHIS oversees the importation, interstate movement, and environmental release (outdoor planting) of genetically engineered (GE) organisms that may pose a risk to plant health. In our 2005 assessment, we found weaknesses in APHIS' regulations and internal controls concerning GE organisms. Our review found that APHIS has not implemented the agreed-upon corrective actions for 3 of the 28 recommendations from our 2005 report, nor has the agency developed a timeline for resolving these recommendations. Furthermore, weaknesses still remain, despite APHIS having implemented some corrective actions. Specifically, we found that APHIS does not (1) have adequate controls in place to monitor field trial locations; (2) have a written process for selecting permits for inspection based on risk; (3) maintain a compliance database that is complete, accurate, and consistent; (4) use compliance history in approving applications for permits or notifications; and (5) maintain sufficient records of a petition's progress through the review process. Overall, we concluded that APHIS must take these additional steps to strengthen its control and oversight over the release of GE organisms into the environment. The agency agreed with our recommendations, and we were able to agree on the corrective actions necessary for a majority of them. We

continue to work with APHIS to reach agreement on the outstanding recommendations. (Audit Report 50601-0001-32)

#### APHIS Wildlife Services—Wildlife Damage Management

Wildlife Services' (WS) wildlife damage management activities can be controversial among the general public, animal rights organizations, and conservation groups. The complaints by animal rights organizations have included the following concerns: (1) WS uses indiscriminate methods to kill animals, (2) animals suffer because WS' wildlife management activities do not result in immediate death, and (3) WS wildlife management activities are not transparent. In response to these concerns, as well as at the request of Members of Congress, OIG performed this audit to determine if wildlife damage management activities were justified and effective, assess controls over cooperative agreements, assess the Management Information System 2000 (MIS) for integrity and reliability, and review WS' accountability for hazardous materials and equipment. Wildlife control arrangements are formalized on Form 12s (Work Initiation Documents), and WS field specialists record the results in the MIS database. OIG found that MIS contained inaccurate information and WS was not following its policy of renewing Form 12s at least every 5 years. The

audit did not reveal problems with wildlife damage management activities or with WS' system for tracking controlled materials. WS' actions in these areas complied with applicable Federal and State laws and regulations. APHIS concurred with all of our recommendations. (Audit Report 33601-0002-41)

### **Food Safety and Inspection Service Ground Turkey Inspection and Safety Protocols**

OIG determined that the Food Safety and Inspection Service (FSIS) could improve how it monitors the safety of ground turkey products. Specifically, we found that FSIS could improve its pathogen sampling system to enhance food safety. FSIS' current sampling approach does not allow the agency to regularly sample over 60 percent of domestic turkey slaughter plants, over 75 percent of the active processing plants, or the over 11 million pounds of ground turkey products imported during calendar years 2012 and 2013. We also noted that five slaughter plants had flaws in the implementation and documentation of their prerequisite programs (programs applied by industry to ensure that food safety hazards are not likely to occur). FSIS concurred with all of our recommendations. (Audit Report 24601-0004-31)

### **Implementation of the Public Health Information System for Domestic Inspection**

FSIS launched the web-based Public Health Information System (PHIS) in April 2011 as an effort to collect and analyze food safety data. FSIS completed implementation of the domestic module of PHIS on a nationwide scale in January 2012. During our audit, we observed inspectors using PHIS to record inspection results, although they could only do so when they had an adequate Internet connection. We also identified weaknesses during the design and implementation of the system, poor access management, and a failure to implement or effectively implement prior audit recommendations. This occurred because FSIS did not implement sufficient internal controls to effectively monitor and evaluate the performance of PHIS, to ensure that the system was accessible, that PHIS was operating as designed, and that its information was both complete and accurate. OIG's work did not identify contaminated or uninspected product released into commerce as a result of identified weaknesses. FSIS officials concurred with our recommendations and noted that the agency began taking corrective actions to address deficiencies as they became aware of them.

Although FSIS generally agreed with our recommendations, the agency's response expressed concerns with our findings. FSIS' response also represented improvements the agency has made to PHIS. We modified the language of the final report, where appropriate, based on our audit evidence. (Audit Report 24601-0001-23)

### **Agricultural Research Service U.S. Meat Animal Research Center Review: Interim Report**

On January 19, 2015, the *New York Times* published an article entitled "U.S. Research Lab Lets Livestock Suffer in Quest for Profit." The article contains a number of statements about animal care and mortality levels at the U.S. Meat Animal Research Center (USMARC) located in Nebraska. OIG began its review in March 2015 of USMARC's research practices and operations in response to concerns expressed by Congress and reported by the media regarding animal welfare. As our work continues, we will examine Agricultural Research Service's (ARS) oversight and monitoring of USMARC, including how it relates to animal welfare. We issued an interim report in September 2015 to update the agency and congressional requesters on our progress and provide initial observations on work completed to date. In this report, we provided the status of our review, but made no recommendations. At the conclusion of our fieldwork, we will issue a final report with the results of our review. (Audit Report 02007-0001-31 (1))

### **Iowa Egg Company and Its Owner Sentenced for Causing a 2010 Nationwide *Salmonella* Outbreak**

In August 2010, a nationwide outbreak of *Salmonella enteritidis* was traced back to an Iowa egg company. The company recalled 550 million eggs that sparked a criminal investigation into the food poisoning case. Our joint investigation with the Federal Bureau of Investigation (FBI) and the Food and Drug Administration (FDA) revealed that employees at the company's egg processing facilities affixed false labels to egg shipments that indicated false expiration dates with the intent to mislead State regulators and retail egg customers regarding the true age and freshness of the eggs. We also found that the company's former marketing manager bribed an Agricultural Marketing Service (AMS) employee to ignore these improper practices. The company pled guilty to introducing misbranded eggs into interstate commerce with the intent to defraud. The owner and the chief operating officer were each sentenced to serve 3 months

in prison, followed by 12 months of supervised release, and pay a fine of \$100,000. The company was sentenced to serve 36 months of probation and was ordered to pay a fine of \$6.79 million, restitution in the amount of \$83,008, and a special assessment of \$925. The former marketing manager who bribed the AMS employee pled guilty to one count of conspiracy to bribe a public official, selling restricted eggs with the intent to defraud, and introducing misbranded food into interstate commerce. In June 2015, in U.S. District Court, Northern District of Iowa, the employee was sentenced to 48 months of probation and ordered to pay a \$100 fine. The AMS employee who accepted the bribes is now deceased.

### **Two Individuals Sentenced for Submitting Fraudulent Information to the Forest Service Resulting in a Crash that Killed Nine People**

In June 2015, in U.S. District Court, District of Oregon, the former vice president and the former director of maintenance of a helicopter business were sentenced for submitting fraudulent information to the Forest Service (FS) about the lift capabilities of their helicopters in order to obtain FS helicopter fire-fighting contracts. Company pilots relied on this information, which led to a helicopter crash in August 2008 where nine people were killed, including one FS employee. The former vice president was sentenced to 151 months in prison, followed by 36 months of supervised release. The former director of maintenance was sentenced to 25 months in prison, followed by 36 months of supervised release. Our investigation, conducted jointly with the U.S. Department of Transportation OIG, determined that these two individuals knowingly submitted falsified performance charts, as well as falsified aircraft weight and balance (W&B) documents to FS as part of the company's contract proposals. Without the falsified performance charts, the majority of the company's helicopters would not have been capable of meeting the contract payload specifications. Following the August 2008 crash, the National Transportation Safety Board (NTSB) determined that the pilots of the helicopter unknowingly relied upon a falsified performance chart and falsified W&B documents in calculating the helicopter's maximum allowable payload. NTSB determined that, by depending on these falsified documents, the pilots unknowingly exceeded the aircraft's maximum allowable payload by 1,458 pounds, which was a major contributing factor to the crash.

### **Company Owner Sentenced for Submitting Fraudulent Commodity Inspection Certificates**

In April 2015, in U.S. District Court, Eastern District of California, the owner of a company who submitted 81 fraudulent commodity inspection certificates for pinto beans supplied under contract to the Texas Department of Criminal Justice pled guilty to one count of falsely making or altering an official inspection certificate. The company owner was sentenced to 36 months of court-supervised probation, ordered to perform 300 hours of community service, and fined \$1,000. In addition, the judge required that any certificates submitted by the owner and his company employees for any future contracts must be monitored for legality and legitimacy purposes. Our investigation was based on a referral from the Grain Inspection, Packers and Stockyards Administration, (GIPSA) which was contacted by the Texas Department of Criminal Justice regarding the poor quality of pinto beans they were receiving.

### **Owner of a USDA-approved Food Processing Facility and His Company Charged with Making a Material False Document in Connection with Product Testing**

In August 2015, in U.S. District Court, Central District of California, an owner of a USDA-approved food processing facility was sentenced to 36 months' probation and fined \$500. OIG initiated the investigation after receiving a referral from FSIS. The investigation revealed that the company and its owner forged laboratory testing records, claiming that the facility's product tested negative for pathogens, when, in fact, the product had never been tested. The company and its owner were charged in December 2014 with two counts of making a material false document. In April 2015, the processing facility which falsified laboratory records regarding the safety of its food, pled guilty to two misdemeanor counts of false certification. The company's owner pled guilty on the same day to the same charges. His company was fined \$20,000, and was ordered to pay a special assessment fee of \$400.

### **Meat Company Skirts Bovine Spongiform Encephalopathy Importation Ban on U.S. Beef Shipped to Japan and China**

In April 2014, in U.S. District Court of Utah, a company that circumvented a ban on U.S. beef exports to Japan was ordered to pay a \$1 million fine. The ban on certain

types of U.S. beef exports was put in place several years ago by Japan and China to reduce the potential for *bovine spongiform encephalopathy*, commonly known as mad cow disease, from being introduced into their respective food supplies. OIG and the FBI opened a joint investigation on a Salt Lake City corporation that exported food products worldwide. In March 2014, a misdemeanor was filed charging the Salt Lake City corporation with one count of making a false statement to USDA. In April 2014, the corporation pled guilty to the charge. Information regarding this case was sealed by the Federal Court until July 2015, when a final decision was made by the United States not to pursue a civil action against the company.

### **Employee of Non-Profit Citrus Trade Association Sentenced for Using USDA Vehicle to Deliver Cocaine**

An employee of a non-profit citrus trade association, who had access to USDA-owned vehicles and resources as part of a cooperative agreement with APHIS, was found to be selling illegal narcotics. During an undercover operation, the employee sold illegal narcotics to undercover officers while he used a USDA-owned vehicle and attempted to transport approximately 9 kilograms of cocaine using another USDA-owned vehicle. In October 2014, the employee was charged with one count of possession with intent to distribute 9 kilograms of cocaine and one count of being a felon in possession of a firearm. In July 2015, the employee was sentenced in the U.S. District Court for the Southern District of Texas to 135 months in prison to be immediately followed by 60 months of supervised release. The sentence was enhanced by the Court as he possessed a dangerous weapon and used Facebook to advertise that he had access to U.S. Government vehicles to transport drugs north from the Mexican border. The investigation was conducted jointly with Immigration and Customs Enforcement-Homeland Security Investigations (ICE-HSI), and the McAllen, Texas, Police Department.

## Government-wide Activities: Goal 1

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

**FBI's National Joint Terrorism Task Forces.** An OIG special agent is assigned full time to this task force, attending threat briefings and providing terrorist intelligence products to OIG and other USDA agencies and offices regarding individuals or entities that may have connections to terrorist activity or may provide support for terrorist activity.

**FBI's Joint Interagency Agroterrorism Working Group.** OIG continues to work with this group developing protocols and procedures for the FBI, other USDA agencies, and OIG to coordinate their response to agroterrorism.

**Coordinated Efforts on Food Supply Security.** We have coordinated with the FBI's Weapons of Mass Destruction Directorate and FSIS on potential threats to the food supply and the flow of information through national-level tabletop exercises held in 2014 and 2015. The FBI is working with OIG and USDA's Office of Homeland Security branch on refining the flow of unclassified information in the event of a food safety emergency.

**U.S. Marshals Service Fugitive Task Forces.** OIG agents in Minnesota, North Dakota, and Ohio currently participate on the U.S. Marshals Service Fugitive Task Forces, which were established under

the Presidential Threat Protection Act of 2000. The purpose of these task forces is to locate and apprehend the most dangerous fugitives and assist in high-profile investigations. In addition to providing assistance in locating fugitives, the task forces also provide help in serving warrants.

**Anti-Terrorism Advisory Councils.** OIG participates in Anti-Terrorism Advisory Councils in many judicial districts including the Northern District of Illinois, the Eastern District of Michigan, the District of North Dakota, the District of South Dakota, the Northern and Southern Districts of Iowa, and the District of Minnesota. These councils are umbrella organizations including local, State, and Federal agencies and private-sector security representatives who work with the U.S. Attorney's Offices in their geographic areas to disrupt, prevent, and prosecute terrorism through intelligence-sharing, training, strategic planning, policy review, and problem-solving.

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

### Ongoing Reviews

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- adequacy of controls to prevent the release of sensitive technology (ARS),
- U.S. Meat Animal Research Center (ARS),
- procurement and inspection of fruits and vegetables (AMS),
- follow-up on 2007 and 2008 audit initiatives (FSIS),
- evaluation of equivalency assessments of exporting countries (FSIS),
- evaluation of process verified program (USDA), and
- response to antibiotic resistance (USDA).

## Goal 2: Integrity of Benefits

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

OIG conducts audits and investigations to ensure or restore integrity in various USDA benefit and entitlement programs, including a variety of programs that provide payments directly and indirectly to individuals or entities. SNAP alone accounted for approximately \$84 billion in FY 2015 benefits, or approximately 60 percent of USDA's budget, while over \$16 billion was spent on USDA farm programs, the second largest category after nutrition assistance. The intended beneficiaries of these programs include the working poor, hurricane and other disaster victims, school children, farmers, and other rural citizens. These programs support nutrition, farm production, and rural development.

In the second half of FY 2015, we devoted 48.1 percent of our total direct resources to Goal 2, with 97.2 percent of these resources under Goal 2 assigned to critical/high-impact work. A total of 83 percent of our audit recommendations under Goal 2 resulted in a management decision within 1 year, and 82.4 percent of our investigative cases resulted in criminal, civil, or administrative action. OIG issued eight audit reports under Goal 2 during this reporting period. OIG's investigations under Goal 2 yielded 276 indictments, 407 convictions, and \$167.8 million in monetary results during this reporting period.

### Management Challenges Addressed Under Goal 2

- USDA Needs to Strengthen Program Performance and Performance Measures
- FNS Needs to Strengthen SNAP Management Controls
- USDA Needs to Improve Oversight and Accountability for its Programs
- USDA Needs to Improve Outreach Efforts

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

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#### FNS Quality Control Process for SNAP Error Rate

FNS' SNAP is the nation's largest food assistance program. Since FY 2010, SNAP has served, on average, more than 45 million people per month and paid out more than \$71 billion annually in benefits. States determine household eligibility for SNAP and calculate and issue benefits. FNS and State agencies have quality control (QC) processes to review these determinations. The results are used to calculate State error rates; the national error rate is a weighted average of State rates. We found that States weakened the QC process by using third-party consultants and error review committees to mitigate individual QC-identified errors, rather than improving eligibility determinations. We also found that QC staffs treated error cases non-uniformly. FNS' two-tier QC process is vulnerable to State abuse due to conflicting interests between (1) accurately reporting true error rates and incurring penalties or (2) mitigating errors and receiving a bonus for exceeding standards. Further, States' QC reviews did not meet SNAP regulatory

requirements and Federal oversight of State QC activity was inadequate. Finally, FNS' Broad-Based Categorical Eligibility policy to determine eligibility was not consistent with SNAP regulations. As a result, FNS' QC process understated SNAP's error rate. While FNS' response to the report expressed concerns with our review, we were able to reach agreement on the corrective actions for 10 of the report's recommendations. We continue to work with FNS to reach agreement on the remaining nine recommendations. (Audit Report 27601-0002-41)

#### FNS—National School Lunch and School Breakfast Programs

During school year 2012-2013, as a result of an annual eligibility verification process, school food authorities (SFAs) reduced or eliminated benefits for 107,974 of the 199,464 sampled households because household incomes were unsupported or excessive. During this same period, 44 of the 56 SFAs we reviewed did not question any applications, even though we later identified at least 42 potentially questionable applications based

on FNS' criteria. Further, 20 of our 61 sampled SFAs mismanaged and misused Non-profit School Food Service Funds intended to be used for operating and improving the school food service. As a result, SFAs accumulated excess cash, totaling \$4.8 million; expensed nearly \$6 million in capital expenditures without obtaining prior approval from State agencies; and charged unallowable costs totaling \$166,933 to cafeteria funds. FNS generally concurred with our recommendations. (Audit Report 27601-0001-41)

### **Healthy, Hunger-Free Kids Act of 2010—Controls Over Food Service Account Revenue**

The Richard B. Russell National School Lunch Act, as reauthorized by The Healthy, Hunger-Free Kids Act of 2010 (HHFKA), provides funding for Federal school meal and child nutrition programs and increases access to healthy food for low-income children. Our audit found that FNS cannot ensure that SFAs are in compliance with the paid lunch equity and non-program foods revenue requirements of HHFKA as FNS does not have sufficient controls to detect SFA noncompliance. Furthermore, FNS' controls to ensure the submission of timely and complete paid lunch price reports from State agencies are ineffective, and FNS has not established a reporting date for annually publishing lunch prices, which FNS is required to do. We also found that FNS has not issued updated guidance on indirect costs, as required by HHFKA. FNS generally concurred with our recommendations. (Audit Report 27601-0001-22)

### **Risk Management Agency: Rainfall and Vegetation Index Pilot Program—Pasture, Rangeland, Forage**

Starting in crop year 2007, the Risk Management Agency (RMA) offered a rainfall and vegetation index plan of insurance for pasture, rangeland, and forage (PRF) as a pilot program to provide insurance protection on forage produced for grazing or harvested for hay. OIG's review found that RMA insured irrigated forage producers as if a reduction in rainfall affects their yields to the same extent as non-irrigated forage producers. However, based on interviews of subject-matter experts in 7 of the 29 States offering PRF, irrigated yields are not nearly as dependent on rainfall as non-irrigated yields and, thus, do not incur the same level of loss. When RMA and its contractor designed the PRF program, they did not differentiate coverage based on whether the land was irrigated. As a result, irrigated producers are able to receive indemnities

in excess of lost values in hay production. For crop years 2010 through 2013, indemnities issued in the seven States on land with an intended use of haying accounted for over \$142 million of the over \$183 million in total indemnities issued for forage under PRF. We were unable to determine how much of the more than \$142 million was issued on irrigated land using RMA's data because RMA did not record irrigation practices for these crop years. RMA has stated that it plans to incorporate a separate pricing schedule for irrigated and non-irrigated producers in 2016. RMA generally concurred with our recommendations. (Audit Report 05601-0003-31)

### **Risk Management Agency National Program Operations Reviews**

RMA administers the Federal Crop Insurance Program (FCIP) and helps insure producers against crop failures due to crop diseases, hurricanes, and other risks. Federal crop insurance is available solely through private companies known as approved insurance providers (AIP). RMA implemented the National Program Operations Reviews (NPOR) as one of its primary tools for assessing AIPs' compliance with laws, regulations, and the Standard Reinsurance Agreement (SRA), as well as for identifying program weaknesses. OIG found that RMA has made improvements to its NPOR process; however, further improvements are needed to better determine AIP compliance with all crop insurance program requirements and to identify and address program vulnerabilities. Our analysis of 50 NPORs of crop insurance policies found instances of incomplete checklists, undocumented computations and assessments of the accuracy of indemnities paid by AIPs, no evidence of verification of the actual production history yields, and instances of AIP noncompliance. This occurred because RMA's NPOR procedures for testing crop insurance policies and for reviewing AIP operational controls were not sufficiently detailed in the review handbook. As a result, RMA cannot ensure that its NPORs will help RMA to hold AIPs accountable for complying with the SRA. RMA concurred with our recommendations. (Audit Report 05601-0001-22)

### **USDA Beginning Farmers and Ranchers Programs**

The Secretary of Agriculture has emphasized providing assistance to beginning farmers and ranchers, and USDA agencies have provided significant financial resources and technical support to assist in the establishment and

sustainability of farming operations. However, we found that during the period under review, FYs 2012 and 2013, the Department lacked sufficient performance goals, direction, coordination, and monitoring of this program to ensure success. In 1982 and again in 2007, the Government Accountability Office (GAO) reported that the Department needed to measure its effectiveness for its beginning farmers and ranchers assistance. As a result, USDA cannot ensure that the \$3.9 billion of beginning farmers' assistance in FYs 2012 and 2013 has achieved effective and measurable outcomes. However, in early 2014, the Deputy Secretary brought together representatives from across the Department to focus on assisting beginning farmers and ranchers. USDA also unveiled a new website that provides a centralized, one-stop resource where beginning farmers and ranchers can explore the variety of USDA assistance designed to help them succeed. The Department concurred with our recommendations. (Audit Report 50601-0003-31)

### **Farm Service Agency's Microloan Program**

The Farm Service Agency's (FSA) mission is to equitably serve all producers and agricultural partners by delivering effective, efficient agricultural programs to all Americans. FSA administers the Farm Loan Programs, which make direct farm ownership and operating loans to producers to purchase farmland and finance agricultural production. FSA developed the Microloan Program to better serve the unique financing needs of beginning, niche, and the smallest of family farm operations by modifying its original direct operating loan application, eligibility, and security requirements. OIG evaluated FSA's controls for administering the Microloan Program. Although our review concluded that FSA's controls appear adequate to achieve the program's goals, opportunities exist to improve operations in areas where FSA required excessive security for loans, inconsistently filed security liens, and inconsistently established microloan repayment terms. We also found that FSA could not demonstrate that it had successfully reached out to some target audiences; this was due to limited budgets and staffing, and because FSA's methodology for determining those reached does not provide accurate measures. The agency concurred with our recommendations. (Audit Report 03601-0003-22)

### **FS: Controls Over the Stewardship Contracting Process for Land Management of National Forests**

FS' mission is to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations. The Agricultural Act of 2014 authorized FS to enter into stewardship projects, via contracts or agreements, with private persons or other public or private entities to perform services to achieve land management goals for the national forests and public lands that meet local and rural community needs. OIG found that FS did not always comply with Federal procurement requirements when entering into stewardship contracts and agreements. Agency officials did not clearly define or rate the evaluation factors (on requests for proposals to obtain bids for stewardship contracts) to determine the best value for the Government. Additionally, the agency interprets language in the authorizing statute (16 U.S.C. §6591c) to exempt it from complying with those procurement requirements. As a result, actions taken by FS to exercise its stewardship authority may subject it to challenges by unsuccessful bidders. Furthermore, we found that stewardship project data reports may not be complete or accurate. The agency uses multiple information systems, which do not interface with each other, to record all aspects of the stewardship contracting process. Lastly, FS did not adequately document ethical determinations concerning stewardship projects received from Departmental ethics officials because the agency does not have a policy to retain written ethical determinations specific to stewardship contracts and agreements. FS concurred with all of our recommendations. (Audit Report 08601-0003-31)

### **Vineyard Operator Sentenced to 15 Months in Prison for Submitting a False Loan Application to FSA**

An OIG investigation determined that a producer who operated a vineyard made false statements on loan applications to obtain FSA loans to purchase farmland, and operating loans to buy grapes, equipment, and other essentials for operating the vineyard. The producer also falsified an application for an emergency loan to refinance debts. The investigation revealed that, since 2007, he illegally sold property that was mortgaged to FSA to secure the loans. In June 2015, in U.S. District Court, Northern District of Ohio, the producer was sentenced to 15 months in prison, followed by 24 months of supervised

release; ordered to pay \$447,406 in restitution; and fined \$10,000. He was also ordered to perform 10,000 hours of community service.

### **Tobacco Warehouseman Pleads Guilty to Structuring Financial Transactions**

A joint investigation with Internal Revenue Service-Criminal Investigation (IRS-CI) and RMA's Special Investigation Branch determined that a tobacco warehouseman failed to report all of his tobacco purchases and sales on his tax returns and failed to maintain complete records of his tobacco purchases and sales. In addition, between 2009 and 2012, he converted tobacco checks made payable to him and to others and structured \$382,000 in illegal financial transactions by intentionally making individual cash deposits under \$10,000 in order to avoid filing Currency Transaction Reports. In March 2015, the warehouseman pled guilty in U.S. District Court, Eastern District of North Carolina, to causing a financial institution to fail in its duty to file Currency Transaction Reports and structuring transactions to avoid such filings. In June 2015, he was sentenced to 60 months of probation with the first 12 months to be served under house arrest. He was also fined \$10,000 and surrendered a bank check in the amount of \$233,837 to satisfy the order of asset forfeiture. This amount was determined to be the proceeds of the illegal activity.

### **Insurance Company to Pay \$44 Million to Settle False Claims Act Allegations**

A coordinated investigation with the U.S. Department of Justice's Civil Division, the U.S. Attorney's Office in the Western District of North Carolina, USDA's Office of the General Counsel, and RMA, including its Special Investigation Branch, led to an insurance company agreeing to pay \$44 million to settle allegations under the False Claims Act that it knowingly falsified documents and issued insurance policies that were ineligible under USDA's FCIP. The specific allegations were that company employees backdated policies, forged farmers' signatures, accepted late and altered documents, altered dates and signatures, and signed documents after relevant deadlines. The policies were issued in Modesto, California; Lambert, Mississippi; Fargo, North Dakota; Lubbock, Texas; Prosser, Washington; and Overland Park, Kansas.

### **Former State Representative Pleads Guilty to Embezzlement**

A joint investigation with the FBI and IRS-CI revealed that a former North Carolina State representative from Kinston, North Carolina, used his fiduciary position as the head of a non-profit organization to steal and embezzle \$300,000 in USDA Rural Development funding. After a 3-week trial, a jury found the former representative guilty on each of the 12 counts. These counts included four counts of theft concerning programs receiving Federal funding. He appealed and was granted a new trial based upon an issue regarding a juror's Internet research during deliberations. However, in January 2015, he pled guilty to one count of theft concerning programs receiving Federal funds. In July 2015, he was sentenced in U.S. District Court, Eastern District of North Carolina, to 24 months in prison followed by 24 months of supervised release. He was also ordered to pay \$300,000 in restitution to USDA and fined \$5,000.

### **Owner of a Computer Data Storage Facility Pleads Guilty to Money Laundering after Obtaining a Loan Under False Pretenses**

OIG, the FBI, and IRS-CI began this investigation after receiving information of a possible \$4 million loan fraud involving a business loan made through Rural Development's Guaranteed Loan Program. In January 2015, the owner of a computer data storage facility in Montana was indicted on two counts of money laundering and two counts of false statements to a Government agency. In March 2015, she agreed to plead guilty to money laundering. In July 2015, in the U.S. District Court, District of Montana, she was sentenced to 56 months in prison, followed by 36 months of supervised release, and was ordered to pay \$3.7 million in restitution and a \$100 fine.

### **Former Bank President and Corporate Officer Sentenced in Bank Fraud Scheme and Ordered to Pay \$17.9 Million in Restitution**

An OIG investigation revealed that an officer of a construction equipment company, in conjunction with the bank president, submitted fraudulent loan applications for \$8.2 million in guaranteed Rural Business - Cooperative Service (RBS) funds, purportedly to refinance construction debt and build a truck stop. The investigation disclosed that the loan's true purpose was to conceal \$9 million of imbedded losses

from bank examiners. In addition, the former bank president fraudulently approved nominee loans for the construction company's benefit to avoid legal lending limits. The scheme resulted in \$26 million in bank losses and contributed to the failure of the bank in 2011. In December 2014, in U.S. District Court, Eastern District of Oklahoma, the former bank president pled guilty to bank fraud relating to the RBS loan funds and was sentenced to 24 months in prison and ordered to pay \$14.7 million in restitution. In August 2015, the corporate officer was sentenced to 87 months in prison and ordered to pay \$3.2 million in restitution.

### **President of Delegated Agency Responsible for 49 Head Start Centers Convicted of Embezzlement and Bankruptcy Fraud**

This joint investigation was conducted with the U.S. Department of Health and Human Services (HHS) OIG, the FBI, the U.S. Trustee Office, and the Department of Education OIG. The investigation determined that the head of a delegated agency responsible for management of 49 Head Start centers in Puerto Rico converted more than \$1.4 million in HHS funds and FNS Child and Adult Care Food Program payments for personal use. She spent the majority of the fraudulently obtained proceeds at a resort and casino in San Juan. In May 2015, in U.S. District Court, District of Puerto Rico, the woman pled guilty to one count of theft of Government funds and was sentenced to 60 months of supervised release and ordered to restitution of \$752,248.

## **Examples of Work Related to the Recovery Act of 2009**

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### **Company Owner Falsely Pledged Common Stock Used to Provide Surety Bonds on American Recovery and Reconstruction Act of 2009 Contracts**

A joint investigative effort with the U.S. Department of Interior OIG, the Department of Transportation OIG, U.S. Army Criminal Investigation Command, and the Defense Criminal Investigative Service determined that the owner of a Fresno corporation submitted a series of Affidavits of Individual Surety to the Federal Highway Administration that falsely pledged common stock for use as security for bonds.

The company pledged the same stock for surety bonds for several Federal Departments, including USDA; the bonds were otherwise encumbered, in violation of Federal Acquisition Regulation requirements. In July 2013, the business owner was charged with multiple crimes, including wire fraud, mail fraud, major fraud against the United States, aggravated identity theft, money laundering, and criminal forfeiture. He pled guilty in May 2015 to one count of mail fraud and one count of aggravated identity theft. In August 2015, in U.S. District Court, Eastern District of California, the business owner was sentenced to 65 months in prison and was also ordered to pay approximately \$1.3 million in restitution.

## SNAP Retailer Investigations

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*A significant portion of OIG's investigative resources are dedicated to ensuring the integrity of SNAP by combating the practice of exchanging benefits for cash. Working closely with FNS and other agencies, as well as independently, OIG has concluded the following SNAP trafficking-related investigations and prosecutions in the second half of FY 2015:*

### **Owner and Former Manager of New York Store Sentenced to Prison and \$1.2 Million in Restitution for Defrauding Food Program**

This investigation was initiated as a result of a compliance investigation conducted by FNS' Retailer Investigations Branch. The investigation determined the owner and the former manager of a "dollar store" with very little food inventory violated SNAP rules and regulations by exchanging SNAP benefits for U.S. currency at a discounted rate, a practice known as trafficking. In November 2013, a search warrant was executed at the store, and the owner and his former manager were arrested. In April 2014, in U.S. District Court, Southern District of New York, the owner and the former manager were charged with conspiracy to commit SNAP fraud and theft of Government funds. After pleading guilty in February 2015, the owner was sentenced to 3 months in prison, followed by 36 months of supervised release, and was ordered to pay \$230,000 in restitution and a \$100 special assessment. The former manager was found guilty at trial on five counts, including theft of public money and the transfer or unauthorized use of SNAP benefits. In June 2015, he was sentenced to 24 months in prison, followed by 24 months of supervised release, and was ordered to pay \$1 million in restitution.

### **Syracuse Store Owner Convicted of SNAP Trafficking**

An investigation conducted with the assistance of ICE-HSI found that a Syracuse store owner and an employee were exchanging SNAP benefits for U.S. currency. Both were arrested in March 2013 and charged with conspiracy to commit and participate in SNAP fraud, as well as marriage fraud. In April 2015, in U.S. District Court, Northern District of New York, the store owner and the employee were convicted of SNAP trafficking. The store owner was sentenced to serve 48 months in prison while the employee was sentenced to serve 18 months in prison. Both were ordered to pay \$1.7 million in restitution, jointly and severally.

### **Store Owner and Son Charged with Unlawfully Redeeming More than \$2.3 Million in SNAP Electronic Benefit Transfer (EBT) Benefits**

Our investigation determined that the owner of a store in Norfolk, Virginia, and an employee—a father and his son, respectively—illegally traded SNAP benefits for U.S. currency on multiple occasions between January 2009 and October 2013. The owner was charged in December 2014 and his son was charged in February 2015 with violations related to SNAP trafficking. The store owner entered a guilty plea and was sentenced to 30 months in prison, followed by 36 months of supervised release, and was ordered to pay \$2.3 million in restitution. The employee/son also entered a guilty plea and was sentenced to 29 months in prison, followed by 36 months of supervised release, and was ordered to pay \$1.9 million in restitution, jointly and severally with his father. This investigation was conducted jointly with IRS-CI and the Norfolk Police Department.

### **Retailer Sentenced for SNAP and Federal Program Fraud**

A joint investigation with the U.S. Department of Housing and Urban Development (HUD) OIG determined that three co-owners of a market in Grand Rapids, Michigan, along with several store employees, routinely exchanged cash for SNAP benefits and for vouchers issued through the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). They also exchanged SNAP and WIC benefits for phone cards, hookah pipes, and other ineligible items on multiple occasions. During a January 2015 trial, one of the co-owners of the market pled guilty to conspiracy to commit SNAP fraud, WIC fraud, Medicaid fraud, Housing Choice Voucher Program fraud, and unlawful procurement of naturalization. In June 2015, in U.S. District Court, Western District of Michigan, he was sentenced to 34 months in prison, followed by 24 months of supervised release, and was ordered to pay \$1.27 million in restitution. In July 2015, the remaining two co-owners were sentenced to 30 and 27 months in prison, respectively. They were also ordered to serve 24 months

of supervised release and were ordered to pay \$1.29 million in joint and several restitution. One co-owner also had his U.S. citizenship revoked. Two store employees who trafficked in SNAP benefits were also sentenced—one to 12 months and 1 day in prison, followed by 24 months of supervised release, and the other to 18 months in prison, followed by 36 months of supervised release. The employees were also ordered to pay restitution of \$1.2 million and \$10,223, respectively, jointly and severally with the other defendants.

### **Store Owner Sentenced for Fraud**

An OIG investigation found that two owners of a Detroit dollar and party store, along with store employees, exchanged SNAP benefits for cash, cigarettes, cell phones, and other ineligible items. In June 2015, one of the store's co-owners was sentenced in U.S. District Court, Eastern District of Michigan, to 34 months in prison, followed by 36 months of supervised release, and ordered to pay \$995,341 in restitution to FNS for helping to orchestrate the SNAP trafficking conspiracy. This individual was also sentenced for illegally receiving over \$32,000 in personal welfare benefits and U.S. Department of Education Pell grant funds. This investigation was conducted with the assistance of IRS-CI and the Michigan Department of Health and Human Services, Office of Inspector General.

### **Retailers Conspire to Launder Millions in SNAP Benefits**

In June 2015, in U.S. District Court, Eastern District of Michigan, the owner of a large supermarket in Detroit, who conspired with a liquor store owner in a large-scale SNAP trafficking operation, was sentenced to 70 months in prison and was ordered to pay \$700,000 in restitution. The sentencing hearing also addressed the individual's involvement in large-scale sports gambling activities in southeast Michigan and northern Ohio. OIG's investigation initially focused on SNAP trafficking by the owner of a liquor store which was not authorized to accept SNAP benefits. The investigation determined that the liquor store owner used telephone calls to contact the supermarket manager and owner to conduct manual SNAP electronic benefits transfers (EBT) transactions. The transactions actually occurred at the liquor store, where liquor store employees were purchasing SNAP benefits for approximately half their true value. When search warrants were served at both stores and the residences of the owners, agents located several firearms and ammunition at the supermarket and its owner's

residence. As a previously convicted felon, the owner is prohibited from possessing firearms and ammunition, and the discovery of these items led to him being sentenced in July 2014 to 87 months in prison, followed by 24 months of supervised release. The supermarket owner pled guilty to SNAP fraud as well as conspiracy to influence sports contests through bribery. The owners of the liquor store involved in the SNAP conspiracy were also sentenced in June 2015 to prison terms of 21 and 18 months respectively, restitution of \$1.7 million, and a judgment in the amount of \$1.4 million.

### **Three Store Owners Ordered to Pay \$1.6 Million for SNAP Fraud**

In June 2015, in U.S. District Court, Western District of Texas, two owners of a San Antonio store who trafficked SNAP benefits were sentenced for their participation in this scheme. One of the owners was sentenced to 12 months in prison and was ordered to pay \$1.6 million in restitution. The second owner was sentenced to 3 weeks in prison, followed by 12 months of supervised release, and was ordered to pay \$96 in restitution. Both individuals had been charged in February 2014 with six counts of wire fraud. A third owner was sentenced in August 2015 to 48 months in prison, followed by 36 months of supervised release, and was ordered to pay approximately \$1.6 million in restitution. SNAP recipients who illegally sold their benefits at the store are also being prosecuted by the Bexar County, Texas, District Attorney's Office. Seven of those individuals admitted in March 2014 to having sold their SNAP benefits at the store, and one of those seven was charged in May 2014 with two counts of State felony charges for SNAP fraud. Further adjudication is pending against individuals associated with the store and recipients who illegally participated in the trafficking of SNAP benefits. This investigation was conducted jointly with the San Antonio Police Department, the United States Secret Service, and the Texas Alcoholic Beverage Commission.

### **Store Owners Sentenced for SNAP Fraud**

This investigation initially revealed that from September 2011 to March 2012, the owners of a small convenience store in Monroe, Louisiana, accepted \$875 in SNAP benefits via the EBT system in exchange for cash and ineligible food items. Further analysis determined that the owners of this store had fraudulently obtained more than \$5 million in SNAP benefits from FNS. The owners were charged with SNAP trafficking fraud and

wire fraud and entered pleas of guilty to the charges. In July 2015, one of the owners was sentenced to 36 months in prison, followed by 36 months of probation, and was ordered to pay \$876,000 in restitution. In August 2015, the second owner was sentenced to 46 months in prison, followed by 36 months of probation, and was ordered to pay \$5.5 million in restitution. Both individuals were prosecuted in the U.S. District Court, Western District of Louisiana.

### **Owner and Multiple Employees of Small Convenience Store Sentenced for SNAP and WIC Fraud**

Another investigation determined that, from June 2011 through June 2012, the owner and multiple employees of a small Louisiana convenience store in Monroe, Louisiana, accepted \$1,302 in SNAP benefits in exchange for cash and ineligible food items and approximately \$441 in WIC vouchers in exchange for cash. OIG subsequently determined that more than \$7 million in SNAP and WIC benefits had been fraudulently obtained from FNS by the owners and employees through this store. The owner and employees were charged with SNAP benefit trafficking, WIC fraud, and wire fraud. They subsequently entered guilty pleas to these charges. In July 2015, the owner and employees were sentenced in the U.S. District Court, Western District of Louisiana. The owner was sentenced to 51 months in prison, followed by 36 months of probation, and was ordered to pay \$7 million in restitution. Three store employees were each sentenced to 60 months' probation and were ordered to pay restitution ranging from approximately \$210,000 to \$849,000.

### **Other SNAP Fraud Investigations**

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*OIG also investigates SNAP recipients who fraudulently obtain benefits, State and local employees who misuse their positions involving SNAP administration, and other individuals who improperly gain access to SNAP funds. The following are examples of these investigations which resulted in successful prosecutions in the second half of FY 2015:*

#### **Two Men Sentenced for Exchanging SNAP Benefits for Illegal Drugs and Drug Substitutes**

Our investigation was initiated based on a request from the U.S. Attorney's Office in Nevada, and found that the owner of a food market in Reno, Nevada, and his uncle were illegally exchanging SNAP benefits for controlled

#### **Store Owner Convicted of Trafficking SNAP Benefits**

In December 2014, in U.S. District Court, Middle District of Florida, the owner of a convenience store in Lakeland, Florida, pled guilty to conspiracy to commit wire fraud. This joint investigation with the FBI disclosed the owner operated a fraudulent business that opened for the sole purpose of exchanging cash for SNAP benefits. In April 2015, the owner was sentenced to 24 months in prison, followed by 36 months of supervised release, and ordered to pay \$782,292 in restitution. Additionally, the owner agreed to forfeit \$4,312 that had been seized from the store's bank account during the investigation.

#### **Joint OIG and FBI Investigation Results in Three Convictions for SNAP Fraud**

This investigation disclosed that the owner of a Lakeland, Florida, meat market conspired with his ex-wife and another store employee to exchange cash for SNAP benefits. From January 2013 through August 2014, they conducted more than \$2 million in fraudulent transactions. The three individuals were prosecuted in U.S. District Court, Middle District of Florida, where each pled guilty to one count of conspiracy to commit wire fraud. The owner was sentenced in August 2015 to 41 months in prison followed by 36 months of supervised release. In April 2015, the ex-wife was sentenced to 36 months of supervised release. In May 2015, the employee was sentenced to 18 months in prison followed by 36 months of supervised release. The three conspirators were also ordered to jointly pay \$2.1 million in restitution.

substance "analogues" (substances which are designed to mimic drugs that are illegal to possess and distribute). The controlled substance analogues distributed at the store included spices and bath salts. The store was not authorized to accept SNAP benefits, but at least one SNAP card that was traded illegally at the store was used at a local Walmart. The two men were each charged in December 2013 with one count of conspiracy to possess

with the intent to distribute a controlled substance and controlled substance analogue, one count of conspiracy to commit benefits fraud, one count of possession with intent to distribute a controlled substance, one count of benefits fraud, and one count of aiding and abetting. The store owner was also charged with five additional counts of aiding and abetting, one additional count of benefits fraud, two counts of distribution of a controlled substance, and one count of distribution of a controlled substance analogue. In December 2014, the store owner pled guilty to conspiracy to possess with intent to distribute a controlled substance and controlled substance analogue, as well as conspiracy to commit benefits fraud. His uncle also pled guilty to the same charges. In June 2015, in U.S. District Court, District of Nevada, both men were sentenced to 30 months in prison. This investigation was conducted jointly with the Drug Enforcement Administration and the State of Nevada's Department of Welfare and Social Services.

### **Couple Convicted in Embezzlement and Conspiracy to Commit SNAP Benefits Fraud**

A Virginia husband and wife embezzled money from an elderly woman in their care and concealed their additional income as part of a scheme to fraudulently receive Social Security benefits, housing assistance benefits, and SNAP benefits. In January 2015, in U.S. District Court in the Western District of Virginia, the husband pled guilty to one count of embezzlement. He was sentenced to 14 months in prison and 36 months of supervised release, and was ordered to pay \$185,875 in restitution. In April 2015, the wife pled guilty and was sentenced to 14 months in prison and 60 months of supervised release, and was ordered to pay \$185,875 in restitution.

## **Other FNS Investigations**

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### **New York Man Sentenced to 54 Months in Prison for Multi-Million Dollar Organized Retail Crime Conspiracy**

Our joint investigation with ICE-HSI, U.S. Postal Inspection Service, Department of Defense, and New York State Police focused on a group of individuals allegedly engaged in organized retail crime. The conspirators were suspected of perpetrating crimes of interstate transportation of stolen property and money laundering. The targeted criminal organization was allegedly

### **Mail Carrier Convicted of Stealing EBT Cards from Her Mail Route**

In April 2015, a Kansas City mail carrier, who stole SNAP EBT cards from customers on her mail route, was sentenced to 60 months of supervised release and ordered to pay \$1,647 in restitution. Our investigation determined that after she stole the EBT cards, she used some of the benefits for herself and gave some of the EBT cards to her daughter. In January 2014 in U.S. District Court, Western District of Missouri, the mail carrier was charged with and convicted of stealing mail, theft of Government property, and aggravated identity theft. Her daughter was also charged and convicted of unlawfully receiving SNAP benefits and was sentenced to 24 months of unsupervised probation and ordered to pay \$423 in restitution.

### **Woman Uses Two Social Security Numbers to Fraudulently Obtain SNAP Benefits**

Our investigation revealed that a Kansas City woman obtained \$4,813 in SNAP benefits, through the use of two different social security numbers, when she would have otherwise been ineligible. She also received a total of \$107,604 in Social Security and unemployment benefits to which she was not entitled. In September 2014 in U.S. District Court, Western District of Missouri, she pled guilty to theft of Government property. In April 2015, she was sentenced to 30 months in prison, followed by 36 months of supervised release, and was ordered to pay \$107,604 in restitution.

facilitating the theft, possession, transportation, and resale of over-the-counter medications, health and beauty aids, infant feeding formulas, and other merchandise that was stolen from various well-established retail stores. The owner of a Staten Island, New York, company was identified as a suspect in the organized retail crime activity and was arrested at John F. Kennedy International Airport as he was leaving the United States for Jordan. In May 2013, a criminal complaint was filed in U.S. District Court for the District of New Jersey charging him with conspiracy and interstate transportation of stolen property.

He pled guilty to conspiring to trafficking of stolen goods and in July 2015, he was sentenced to 54 months in prison to be followed by 24 months' supervised release. Additionally, a judgment in the amount of \$1.3 million was entered against him. To date, bank accounts containing \$66,000 and a property in Staten Island, New York, have been seized.

### **Ring Leaders Plead Guilty to \$20 Million WIC and SNAP Fraud Conspiracy**

Our investigation disclosed that from approximately December 2009 through December 2012, two store owners, who were husband and wife, conspired with numerous others to open 14 grocery stores. The stores were located near low-income housing areas in multiple cities in Georgia for the purpose of buying WIC and SNAP benefits for cash. This sophisticated criminal enterprise included district managers who were responsible for supplying the stores with cash each day to buy WIC vouchers and SNAP benefits. This enterprise defrauded the WIC and SNAP programs of approximately \$20 million. As a result, in U.S. District Court, Southern District of Georgia, 54 defendants, including the owners, were charged for their roles in organizing, running, and operating the grocery stores set up throughout Georgia with the intent of exchanging WIC and SNAP benefits for U.S. currency. In addition to those responsible for owning or operating the sham grocery stores, 34 recipients who sold their WIC and SNAP benefits for cash were also charged. Throughout 2014 and through August 2015, all 88 defendants pled guilty and the total restitution ordered in this investigation stands at \$61.7 million. This WIC fraud investigation was the largest of its kind at USDA. Also assisting in the investigation were the Georgia Department of Public Health Office of Inspector General, forensic auditors with the U.S. Attorney's Office, and the FBI.

### **Convenience Store Owner Sentenced for WIC and SNAP Fraud**

OIG's investigation determined that, from October 2009 through November 2011, a businessman owned and operated six convenience stores in Gwinnett County, Georgia, including a store in Lawrenceville, Georgia. Following an armed robbery at this store, the Gwinnett County Police Department recovered a cash exchange log which USDA agents determined catalogued the illegal sale of WIC and SNAP benefits for U.S. currency. Further investigation determined that between 2009 and 2011,

the store redeemed approximately \$2.3 million in WIC vouchers. The store's owner was convicted by a jury in U.S. District Court, Northern District of Georgia, and he was sentenced to 57 months in prison to be followed by 36 months of supervised release. Additionally, he was ordered to pay restitution in the amount of \$800,015.

### **Public School District to Settle False Claims Act Allegations**

In August 2014, OIG began investigating allegations received from two former food services employees of a New Jersey school district alleging that the district's Board of Education defrauded the National School Lunch Program (NSLP). This investigation determined that between July 2008 and June 2014, the school district failed to collect, reimburse, or apply \$182,243 to its lunch program for catering services that were provided to its Board of Directors and \$90,567 for catering services that were provided to various schools, principals, and administrators within the district for other special functions. In April 2015, the school district agreed to credit \$272,810 to its School Lunch Program and pay \$49,500 in civil penalties to the Department of Justice to settle allegations that it improperly used Federal and State funds to provide meals and catering services for school board meetings and other special functions.

## Government-wide Activities: Goal 2

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### Testimonies

***The House Committee on Education and the Workforce's Subcommittee on Early Childhood, Elementary, and Secondary Education.*** On May 19, 2015, Assistant Inspector General for Audit Gil H. Harden testified on OIG's recent oversight of USDA's programs for providing nutrition assistance to children, specifically, FNS' NSLP, School Breakfast Program, and WIC. OIG issued recommendations for reducing improper payments, and found that FNS has opportunities to improve oversight of these programs. AIG Harden underscored that FNS, in some cases, needs to strengthen its own controls directly. In other cases, FNS needs to improve how it communicates requirements to local authorities that operate the program. AIG Harden noted that, because FNS' National School Lunch Program and School Breakfast Program were not compliant with the Improper Payments Information Act of 2002 (IPIA) for a third consecutive year, USDA must submit to Congress proposed statutory changes necessary to bring these two programs into compliance. OIG's criminal investigations relating to WIC, NSLP, and the Child and

Adult Care Food Program resulted in 93 convictions and \$79.2 million in monetary results; this demonstrated the on-going need to improve oversight of food nutrition programs for children.

***The House Committee on Agriculture and the Subcommittee on Livestock and Foreign Agriculture.*** On July 9, 2015, Deputy Assistant Inspector General Rod DeSmet testified on OIG's oversight of USDA's Food for Progress Program, noting that there are systemic weaknesses in Foreign Agricultural Service' (FAS) implementation of the program. In his testimony, Mr. DeSmet emphasized the attempts to strengthen the program's internal controls through a series of audits conducted in 1999, 2006, and 2014 and commended the positive efforts FAS has taken in response. However, management control issues continue to be a challenge, and FAS has acknowledged the need for monitoring and evaluation. He concluded that until management oversight and accountability are strengthened, implementation of the Food for Progress Program will continue to be problematic.

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

***Mortgage Fraud Task Force.*** OIG investigators in Minnesota continue to participate on the FBI's multi-agency Mortgage Fraud Task Force. By including representatives of Federal, State, and local law enforcement, these task forces are strategically placed in locations identified as high-threat areas for mortgage fraud. This multi-agency model seeks to identify the source of the fraud and find the most effective way to prosecute each case. Additionally, agents in South Florida participate in the Government Housing Operations Special Task Force.

***Operation Talon.*** OIG began Operation Talon in 1997 to apprehend fugitives who are current or former SNAP recipients. Operation Talon has led to the arrests of thousands of fugitive felons since its inception. During the second half of FY 2015, Talon operations were conducted in 6 States, resulting in more than 140 arrests. OIG combines forces with Federal, State, and local law enforcement agencies to arrest fugitives

for offenses such as arson, assault, drug charges, offenses against family and children, robbery, sex crimes, and weapons violations.

***Bridge Card Enforcement Team.*** OIG investigators continue to work with this team to investigate criminal SNAP and WIC violations. Team members include the Michigan State Police and IRS-CI. During this reporting period, we also worked with the FBI and ICE-HSI. Since 2007, our teamwork has resulted in 179 arrests and service of 277 search warrants. The U.S. Attorney's Offices for the Eastern and Western Districts of Michigan and the Michigan Attorney General's Office have pursued multiple criminal prosecutions, resulting in 170 guilty pleas, lengthy prison terms, and over \$33 million in court-ordered fines and restitution. The U.S. Attorney's Offices have initiated forfeiture proceedings totaling over \$5.3 million.

**Bankruptcy Fraud Task Forces.** OIG investigators in the District of Kansas and the Western District of Missouri continue to participate on this task force along with agents from the Postal Inspection Service, IRS-CI, the FBI, Department of Labor OIG, and HHS OIG. Additionally, our OIG investigators participate in the White Collar Fraud working groups in the District of Kansas and the Western District of Missouri.

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

**Proposed Rule: Payment Limitation and Payment Eligibility; Actively Engaged in Farming.** OIG reviewed and provided comments on the Commodity Credit Corporation's (CCC) proposed rule to specify the requirements for a person to be considered actively engaged in farming for the purpose of payment eligibility for certain FSA and CCC programs. OIG noted that the Agricultural Act of 2014 mandated that the Secretary of Agriculture promulgate regulations to define the term "significant contribution of active personal management," and that the regulations were required to "include a plan for monitoring the status of compliance reviews for whether a person or entity is in compliance with the regulations." However, OIG determined that the proposed rule did not include such a plan. The proposed rule establishes recordkeeping requirements for farming operations that request that more than one person qualify as making a significant contribution of active personal management, and such records must be made available to FSA upon request. However, in OIG's view, such a requirement is not the same as a plan for monitoring the status of compliance reviews. Therefore, OIG recommended that the proposed rule be revised prior to final publication so that it includes the mandated monitoring plan.

**Indirect Cost Rates and Negotiated Indirect Cost Agreements Applicable to USDA Grants and Cooperative Agreements.** OIG reviewed draft Departmental Regulations entitled "Indirect Cost Rates and Negotiated Indirect Cost Rate Agreements Applicable to USDA Grants and Cooperative Agreements." The draft regulations would provide that, for certain grantees or cooperators where USDA is the cognizant agency, indirect cost rates can be determined through a negotiated agreement or through a predetermined *de minimis* flat 10 percent of the direct cost rate. OIG provided several substantive comments to the Department regarding these draft internal regulations. OIG noted that the draft regulation's definition of "grant agreement" and "cooperative agreement" could be edited to be more consistent with statutory authorities; that the draft regulations did not indicate whether or how they applied to agreements with pass through entities; and that the effective date should not be retroactive without an explicit justification.

**Proposed Information Collection Regarding FNS' Food Program and Reporting System.** OIG reviewed an FNS proposed notice (80 Fed. Reg. 128, 38427) and had two comments. OIG noted that with respect to fraud investigations, strengthening data records to capture pertinent information is necessary to increase the overall efficiency of SNAP. OIG also recommended that FNS, when collecting data, provide a section for individuals to submit information on trending fraud schemes associated with eligibility fraud and trafficking. Including such a section could facilitate a larger assessment of the 53 annual State agency responses related to fraud for form FNS-366B and could enhance the ability of FNS and OIG to adapt investigative approaches on a national level.

## Ongoing Reviews

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- accuracy of approved insurance provider underwriting of crop insurance policies (RMA),
- coordination of USDA farm program compliance (FSA, RMA, and Natural Resources Conservation Service (NRCS)),
- formula grant program controls over fund allocations to States (National Institute of Food and Agriculture (NIFA)),
- monitoring of highly erodible land and wetland conservation violations (NRCS, FSA),
- detecting SNAP trafficking using data analytics (FNS),
- controls over SNAP benefits for able-bodied adults without dependents (FNS),
- pilot project to reduce dependency and increase work requirements and work effort under SNAP (FNS),
- SNAP administrative costs (FNS),
- Rural Energy for America Program (Rural Development),
- single family housing direct loan credit reporting (Rural Development),
- Energy Efficiency and Conservation Loan Program (Rural Development), and
- Intermediary Relending Program (Rural Development).

## 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 such areas as improved financial management and accountability, information technology (IT) security and management, research, real property management, employee integrity, and the Government Performance and Results Act. The effectiveness and efficiency with which USDA manages its assets are critical. USDA depends on IT to efficiently and effectively deliver its programs and provide meaningful and reliable financial reporting. USDA continues to face significant risk to its IT infrastructure due to cyberattacks, whether by terrorists seeking to destroy unique databases or criminal enterprises seeking economic gain.

In the second half of FY 2015, we devoted 37.1 percent of our total direct resources to Goal 3, with 98.9 percent of these resources assigned to critical/high-impact work. A total of 89 percent of our audit recommendations under Goal 3 resulted in management decision within 1 year, and 76.5 percent of our investigative cases resulted in criminal, civil, or administrative action. OIG issued 12 reports under Goal 3 during this reporting period. OIG's investigations under Goal 3 yielded 10 indictments, 9 convictions, and approximately \$5.3 million in monetary results during this reporting period.

### Management Challenges Addressed Under Goal 3

- Information Technology Security Needs Continuing Improvement
- USDA Needs to Strengthen Controls over Improper Payments and Financial Management
- USDA Needs to Improve Outreach Efforts
- USDA Needs to Improve Oversight and Accountability for its Programs

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

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#### USDA's Fiscal Year 2014 Compliance with Improper Payment Requirements

USDA reported mandatory improper payment information for 20 programs identified as susceptible to significant improper payments (high-risk). We found that USDA complied with three of the six requirements imposed by IPFA, as amended, by (1) publishing improper payment information in its FY 2014 Agency Financial Report (AFR); (2) conducting risk assessments for each program or activity; and (3) publishing programmatic corrective action plans in the AFR. However, 8 of the 20 high-risk programs did not comply with one or more of the following requirements: (4) publishing an improper payment estimate; (5) meeting annual reduction targets; or (6) publishing gross improper payment rates of less than 10 percent. This occurred because two component agencies used flawed sampling methods to report improper payment estimates and some component agencies' corrective actions were ineffective. We also found instances where information or actions related

to other improper payment activities were insufficient, incomplete, or inaccurate. The Department concurred with our recommendations. (Audit Report 50024-0008-11)

#### Executive Order 13520, Reducing Improper Payments, Fiscal Year 2014 High-Dollar Overpayments Report Review

Executive Order 13520, "Reducing Improper Payments," assists Federal agencies in reducing and preventing improper payments through increased transparency and improved accountability. OIG's objectives were to review USDA's quarterly high-dollar overpayments reports, assess the level of risk associated with the applicable programs, and determine the extent of oversight warranted. OIG's analysis of USDA's high-dollar overpayments reports found that the quality of required reporting submissions overall improved for FY 2014. Specifically, the number of component agencies with previous reporting errors decreased by three this year. Furthermore, three agencies submitted their reports

to the Office of the Chief Financial Officer (OCFO) on time this year, compared to the previous year. Finally, the number of days past due for reports from other agencies decreased greatly. Though there were instances of errors and inconsistencies, they were considered minor in nature and mitigated accordingly. This report did not contain any recommendations. (Audit Report 50024-0007-11)

### **Review of Farm Service Agency's Initiative to Modernize and Innovate the Delivery of Agricultural Systems (MIDAS)**

In response to a longstanding need to modernize the delivery of farm programs, FSA initiated a business enterprise solution called MIDAS. FSA reported to Congress in 2010 that \$305 million would allow it to consolidate its 31 farm programs into MIDAS by the end of FY 2012. As we reported, MIDAS was 2 years behind schedule and approximately \$140 million over budget and has not delivered the promised enterprise solution. As of April 1, 2015, FSA had obligated over \$444 million to this project and had retired only 1 of the 66 applications which were to be replaced by MIDAS. By 2022, the program is projected to have a total cost of nearly \$824 million. In July 2014, Secretary Vilsack directed that future MIDAS development cease.

OIG attributes MIDAS' shortcomings to ineffective management and oversight. Although we found that MIDAS has increased functionality in the field and oversight has improved during the past 2 years, we believe that USDA's decision to cease further development of MIDAS was appropriate. Going forward, USDA and FSA must decide if they can leverage the enterprise solution's functionality in a way that supports its annual cost of over \$50 million. If not, USDA and FSA will need to pursue alternative modernization options. FSA concurred with the four recommendations in this report. (Audit Report 03501-0001-12)

### **NRCS' Controls over Land Valuations for Conservation Easements**

NRCS provides Federal funds for conservation easement programs to maintain or enhance land to benefit agriculture and the environment. NRCS pays up to 50 percent of the fair market value for conservation easements through its Farm and Ranch Lands Protection Program (FRPP), and up to 100 percent for land under the Emergency Watershed Protection Program (EWP) and Wetlands Reserve Program (WRP). We found that

NRCS' control environment for land valuation and payment processes did not meet GAO's standards. For example, NRCS did not require management to ensure its staff's compliance with program requirements related to valuation and payment for conservation easements. As a result, NRCS was unable to prevent program officials from paying for insufficiently supported easements valued at over \$43 million. About \$42 million of that easement value was for WRP and EWP. We found that, because NRCS relied on its State staff to ensure land was properly valued, it did not use sufficient controls to prevent payments for unsupported land valuations. We also found that the remaining \$1 million in easement value was due to FRPP's use of landowner-obtained appraisals. Although the landowner-obtained appraisals passed technical reviews, NRCS officials did not ensure that the appraisals met the terms of signed cooperative agreements with local governments, which prohibit the landowner from approving the appraiser. NRCS concurred with our recommendations. (Audit Report 10601-0001-23)

### **Farm and Foreign Agricultural Services' Compliance with Contractor Past Performance Reporting Requirements**

This audit is one in a series of audits of the USDA mission areas to determine compliance with contractor past performance reporting requirements. For this audit, we selected the Farm and Foreign Agricultural Services (FFAS) mission area. In September 2010, the Office of Procurement and Property Management (OPPM) released a procurement advisory officially establishing the Contractor Performance Assessment Reporting System (CPARS) as the system used to collect, maintain, and disseminate contractor performance evaluations. We found that the Acquisition Management Division (AMD), which is responsible for non-commodity procurements in the FFAS mission area and its respective agencies, did not register contracts or report any contractor past performance in CPARS. This occurred because the FFAS AMD Head of the Contracting Activity Designee (HCAD) did not effectively monitor FFAS AMD compliance with CPARS requirements. FFAS AMD recognized in August 2014 it was not a registered organization in CPARS and subsequently notified the system administrator and OPPM. However, in April 2015, FFAS found that AMD was still not registered in CPARS, thus no users were able to enter or monitor contractor past performance data. Once the HCAD for FFAS AMD was notified that information could not be entered into

CPARS, FFAS began coordinating with the Departmental CPARS point of contact to obtain access. FFAS concurred with our recommendations. (Audit Report 50601-0002-12)

### **Review of Expenditures Made by the Office of the Assistant Secretary for Civil Rights**

The Office of the Assistant Secretary for Civil Rights (OASCR) provides leadership and direction for the fair and equitable treatment of all USDA customers and employees. To meet its goals, OASCR expends funds on salaries and benefits, purchases goods and services, and engages in sponsorships. OIG conducted preliminary work and identified anomalies pertaining to OASCR procurements. Based on this work, we performed a more in-depth review of OASCR's expenditures from FYs 2009 through 2013. During this 5-year time period, we determined OASCR improperly entered into agreements of approximately \$2.65 million with vendors and other organizations for services and sponsorships, without providing sufficient documentation for OIG to discern whether the payments were proper. As a result, while one agreement totaling \$50,000 was properly ratified, thereby validating the procurement contract and subsequent payment, we identified approximately \$2.6 million in improper payments made without sufficient documentation. This occurred because OASCR did not properly identify which legal instrument to use for each expenditure and did not follow the applicable guidelines to establish the obligation. However, we found that OASCR has taken action to rectify the issues identified. We also determined that the ratification of unauthorized commitments was not adequately documented. Although OASCR noted it did not have dedicated budget staff during the audit's scope period, OASCR and OPPM generally agreed with our recommendations. (Audit Report 50099-0001-12)

### ***In re* Black Farmers Discrimination Litigation-Adjudicated Claims**

An OIG audit concluded that awards were granted to eligible claimants in accordance with the *In re* Black Farmers Discrimination Litigation (*BFDL*) settlement agreement. Nothing came to our attention to indicate that the Claims Administrator (CA) and the Track A and B Neutrals did not implement the claims process in accordance with the settlement agreement. We also confirmed that the Track A Neutral and CA implemented sufficient actions to mitigate the concerns identified in

our first *BFDL* audit (Audit Report 50601-0001-21, December 2013). To mitigate the issues, the Neutral implemented measures to revise decisions that were inconsistent with its guidelines. The CA performed searches of all adjudicated claims to detect multiple claims possibly filed for single farming operations or an individual class member and provided these results to the Neutral. The CA also matched *BFDL* claimants against the *Pigford v. Glickman (Pigford)* participant list to identify and deny *Pigford* participants. No recommendations were made. (Audit Report 50601-0003-21)

### **Review of the Department's Fleet Charge Card Data**

USDA's fleet charge card program is the transaction record system for vehicles and equipment used to support USDA's missions, including food safety inspections, agricultural research, fire suppression, and law enforcement. In this audit, OIG found that OPPM did not adequately structure the Department's fleet charge card program or provide USDA agencies with sufficient guidance to administer the program. The average number of fleet charge cards managed by the Local Fleet Program Coordinator (LFPC) for the 4 agencies we reviewed during FY 2013 was 92; however, we found LFPCs who were overseeing as many as 912 fleet charge cards. This lack of oversight led USDA to retain cars that were potentially unnecessary. We also identified 1,133 vehicles with no fleet card transactions and 5,703 vehicles with less than 5,000 miles driven in 1 year. Based on our review, we identified \$6.2 million in potential savings. Furthermore, in the absence of proper management controls, USDA maintained fleet charge cards with excessive single purchase limits. The highest single purchase limit we identified was \$58,000. Conversely, the highest transaction amount was \$1,024.60. The Department concurred with all of our recommendations. (Audit Report 50024-0004-13)

### **Review of Rural Rental Housing's Tenant and Owner Data Using Data Analytics**

Rural Development's Rural Housing Service (RHS) is responsible for administering the Rural Rental Housing (RRH) program. RHS provides loans to individuals, public agencies, cooperatives, and profit and non-profit organizations to construct and operate RRH-funded apartment complexes. OIG used data analytics to review RRH's program data and determine whether project

operation information was being reported reasonably and accurately. Our analysis of RRH-submitted expenses from management agents found unallowable expenses charged to projects in FY 2013, including Christmas parties, summer picnics, and staff gifts. In addition, our audit found issues with values recorded in project reserve accounts, including erroneously reported reserve accounts, actual reserve account balances, and fully-funded reserve amounts. RHS agreed with our recommendations. (Audit Report 04901-0001-13)

### **Processing Freedom of Information Act Requests**

On June 23, 2015, the Senate Committee on Homeland Security and Governmental Affairs requested that we analyze the involvement of noncareer officials in the Freedom of Information Act (FOIA) response process at USDA. Specifically, the Chairman requested that we determine whether noncareer officials' involvement resulted in any undue delay of a response, or the withholding of any document or portion of any document, that would otherwise have been released but for a noncareer official's involvement in the process. Our examination disclosed that decisions on FOIA requests were made by FOIA staff. Some FOIA officers stated that noncareer officials may be notified of media, Congressional, and high-profile FOIA requests through weekly reports, conference calls, or other agency practices. In the rare instances when noncareer officials questioned the FOIA officers' decisions, the FOIA officers informed us that they did not change the decision. Based on our discussions with USDA personnel, and the information assessed, it does not appear that noncareer officials have applied undue influence or caused delays in the Department's FOIA operations. This work was performed as a non-audit service; therefore, it was not covered by Government Auditing Standards. (Report 50099-001-21)

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

OMB Bulletin 15-02, *Audit Requirements for Federal Financial Statements*, requires that Agreed-Upon Procedures be performed annually to assist the Office of Personnel Management (OPM) in (1) assessing the reasonableness of retirement, health benefits, and life

insurance withholdings and contributions, as well as enrollment information submitted via the *Supplemental Semiannual Headcount Report*, and (2) identifying errors relating to processing and distributing Combined Federal Campaign (CFC) payroll deductions. In applying agreed-upon audit procedures, we identified disparities through calculations, analyses, and comparisons. Additionally, we identified CFC deductions for employees at duty stations with no CFC, or attributed to the wrong CFC, which were sometimes due to an error caused by using an incorrect CFC pledge form. Generally, the National Finance Center (NFC) attributed most CFC differences to manual processes and human error. NFC noted a low error rate overall, and that it was responsible for very few of these differences. To ensure that information from the system was accurate, we performed any applicable calculations for salary, retirement, and life and health insurance. We noted no exceptions. We did not make any recommendations in this report. (Audit Report 11401-0001-13)

### **National Finance Center's (NFC) Payroll and Application Hosting Systems**

An independent certified public accounting firm examined specified controls at USDA's NFC, which supplied the firm with a description of its payroll/personnel and application hosting systems for the period from October 1, 2014, through August 31, 2015. In the firm's opinion, in all material respects, the description fairly presents the financial management services that were designed and implemented; the controls were suitably designed to provide reasonable assurances that the control objectives would be achieved if the controls operated effectively; and the controls tested were those necessary to provide reasonable assurance that the control objectives were achieved. No recommendations were made. (Audit Report 11401-0001-12)

### **National Institute of Food and Agriculture Employee (NIFA) Convicted of Theft in Welfare Fraud Scheme**

Our investigation, conducted jointly with HUD OIG, determined that a NIFA employee made false statements to conceal her full-time USDA employment income when she applied to receive HUD Section 8 Housing Subsidy Program benefits from the Prince George's County office of the Maryland Department of Housing and Community Development. She altered USDA paystubs to show lower earnings than were actually received. The NIFA

employee pled guilty in the Circuit Court for Prince George's County, Maryland, to theft and was sentenced to 6 months' home detention and 60 months of supervised probation, and ordered to pay \$12,316 in restitution.

### **Student at Job Corps Center Pleads Guilty and Sentenced in Assault at Washington Job Corps**

An OIG joint investigation with FS confirmed that a student at a Job Corps Center sexually assaulted another student on several occasions from June to August 2014. In March 2015, a criminal information was filed against five students for indecent liberties and forcible compulsion. In June 2015, the charges against four of the students were dismissed. In July 2015, in the Ferry County, Washington, Superior Court, the fifth student pled guilty to one count of assault in the fourth degree and was sentenced to 364 days in prison and 24 months' probation.

### **Rural Development Centralized Servicing Center Manager Resigns after Admitting to Creating a Job for Her Boyfriend**

OIG initiated an investigation based on a hotline complaint which alleged that a high ranking supervisory escrow officer created a vacancy for which her boyfriend applied. Although she knew that her boyfriend did not have the requisite experience for the position, she selected him nevertheless. The investigation revealed that the supervisory escrow employee and her boyfriend conspired to submit false information and made false statements on the boyfriend's job application. In October 2014, the supervisory escrow manager entered into a pretrial diversion agreement with the U.S. Attorney's Office, Eastern District of Missouri, requiring her to pay a \$100,000 fine; to truthfully and completely answer any questions regarding the involvement of others in the offense; to resign from her position; and to acknowledge disclosure of the agreement to certain USDA officials and their designees. In April 2015, the boyfriend entered into a pretrial diversion agreement with the U.S. Attorney's Office, Eastern District of Missouri. In doing so he admitted to making false statements on his job application. The United States agreed to defer prosecution for a period of 6 months provided he abide by certain conditions and requirements including the payment of a \$5,000 fine.

## Government-wide Activities: Goal 3

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

***Suspicious Activity Reports—Review Teams.*** OIG agents in the District of Minnesota, the District of North Dakota, the District of South Dakota, Southern District of Iowa, Eastern and Western Districts of Michigan, Western Districts of Texas, Eastern District of Arkansas, and Eastern and Western District of Missouri continue to participate on Suspicious Activity Reports (SAR) Review Teams, which are coordinated by the U.S. Department of Justice through U.S. Attorney’s Offices. The primary purpose of a SAR Review Team is to systematically review all SARs that affect a specific geographic jurisdiction, identify individuals who may be engaged in criminal activities, and coordinate and disseminate leads to appropriate agencies for follow-up. The composition of these teams generally includes representatives from law enforcement and various regulatory agencies. Coordination among the respective agencies results in improved communication and more efficient resource allocation.

***OMB Guidance Implementing FITARA.*** OIG provided comments to the Office of Management and Budget (OMB) through the Council of the Inspectors General on Integrity and Efficiency on an OMB draft memorandum which would implement the Federal Information Technology Acquisition Reform Act (FITARA). We noted that we had continuing concerns regarding the impact on OIG independence of FITARA’s provisions that enhanced Departmental Chief Information Officer (CIO) authorities. Specifically, we noted that the memorandum was problematic because it contained many provisions that violate the independence of Inspectors General by vesting power over OIG’s IT budget, procurement, and personnel with the department/agency CIO. We suggested that OMB consider a legislative remedy to address these independence concerns.

***Draft Fiscal Year 2015-2016 Guidance on Federal Information Security and Privacy Management Requirements.*** OIG reviewed the draft FY 2015-2016 Guidance on Federal Information Security and Privacy Management Requirements, issued by the Office of the Federal Chief Information Officer. The guidance would establish current administration information security priorities and provide agencies with FY 2015-2016 Federal Information Management Act and Privacy Management reporting guidance and deadlines, as required by the Federal Information Security Modernization Act of 2014. OIG commented that it appeared from the guidance that OIG must enter its responses to the FY 2015 required FISMA questions into CyberScope no later than October 30, 2015. This deadline, which is 2 weeks earlier than past years’ deadlines, will require OIG Audit to stop the testing it must do to respond to the questions 2 weeks earlier than planned, resulting in testing that is less thorough.

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

## Ongoing Reviews

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- crop insurance compliance case management (RMA),
- FY 2015 Federal Information Security Management Act (USDA),
- consolidated financial statements for FYs 2015 and 2014 (USDA),
- closing package financial statements for FYs 2015 and 2014 (USDA),
- review of agency financial statements for FYs 2015 and 2014 (Federal Crop Insurance Corporation, CCC, NRCS, FNS, RD),
- Hispanic and women farmers and ranchers claim resolution process (USDA),
- monitoring of the administration's trade agreement initiatives (FAS),
- wildland fire activities—hazardous fuels reduction (FS),
- compliance with contractor past performance reporting requirements (Research, Education, and Economics (REE)),
- controls over prioritizing and funding agricultural research (USDA),
- oversight of contractor past performance reporting requirements (OPPM),
- controls over the Conservation Stewardship Program (NRCS),
- wetland conservation provisions in the Prairie Pothole Region (NRCS),
- firefighting cost share agreements with non-Federal entities (FS),
- plans for addressing climate change (FS),
- secure rural schools funding (FS), and
- Animal Welfare Act—marine mammals (cetaceans) (APHIS).

## Peer Reviews and Outstanding Recommendations

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*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

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During this reporting period, HHS OIG conducted a peer review of USDA OIG's audit organization. Currently, the HHS OIG peer review team is completing its fieldwork. We anticipate completion of this review during the next semiannual reporting period.

### Investigations

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

As a result of the review, TIGTA made four recommendations. We anticipated three of the recommendations would be implemented when we adopted a new case management system in FY 2015. However, we decided to retain our current case management system and conduct a comprehensive review of all directives and policies associated with its operation. When completed, these three recommendations will be implemented.

The fourth recommendation pertained to the Office of Compliance and Integrity (OCI), which does not fall under the Office of Investigations (OI). OCI is an independent internal affairs office which is specifically positioned outside of OI to maintain OCI's independence and objectivity. Although OCI is not under OI, the fourth recommendation suggested an external peer review of OCI. While this recommendation was beyond the scope of the external peer review of OI, OCI voluntarily underwent a peer review in April 2015 by the U.S. Department of Education OIG's Quality and Integrity Group, a similarly structured OIG internal affairs office. The review found OCI to be in full compliance with CIGIE's Quality Standards for Investigations. The peer review team suggested that OCI document on a case review worksheet the monthly review of cases done by the Director of OCI with each case agent; require a timeline where all investigative and administrative activities are recorded in one document to allow a case to be easily reconstructed by others; and update its policy on reporting formats to capture content reporting approaches. OCI is in the process of updating its investigations directive and developing accompanying forms to address these suggestions.

## Peer Reviews Performed by USDA OIG

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

USDA OIG Audit started a peer review of the U.S. Agency for International Development OIG's audit operations during the previous SARC reporting period. We anticipate completion of this review during the next semiannual reporting period.

USDA OIG Investigations did not conduct any peer reviews of any other OIG investigative operations during the current reporting period. The most recent peer review conducted was of the U.S. Postal Service OIG's (USPS OIG) investigative operations in 2014. Our review found USPS OIG investigative operations to be in full compliance with CIGIE's Quality Standards for Investigations. The peer review report noted several best practices utilized by USPS OIG, including the firearms program, the leadership training program, and the computer crimes unit. One area for improvement we identified was that USPS OIG investigative reports did not consistently include a clear and concise statement of the violation of the applicable law, rule, or regulation. The peer review team recommended including such a statement in all investigative reports. Based on our recommendation, USPS OIG agreed to review its policy for maintaining such information in its case files.

## Inspector General Act Reporting Requirements

IG Act Section	IG Act Description	USDA OIG Reported SARC September 2015
Section 4(a)(2)	Review of Legislation and Regulations	Page 24
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-25
Section 5(a)(2)	Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-25
Section 5(a)(3)	Significant Recommendations From Agency's Previous Reports on Which Corrective Action Has Not Been Completed	Appendix A.10 Pages 41-49
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and Resulting Convictions	Appendix B.1 and B.2 Pages 51-52
Section 5(a)(5)	Matters Reported to the Head of the Agency	n/a
Section 5(a)(6)	Reports Issued During the Reporting Period	Appendix A.6 Pages 37-40
Section 5(a)(7)	Summary of Significant Reports	Goals 1, 2, and 3 Pages 1-25
Section 5(a)(8)	Statistical Table: Questioned Costs	Appendix A.2 Page 34
Section 5(a)(9)	Statistical Table: Recommendations That Funds Be Put To Better Use	Appendix A.3 Page 35
Section 5(a)(10)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	Appendix A.7 Pages 40
Section 5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	Appendix A.8 Page 40
Section 5(a)(12)	Significant Management Decisions With Which the Inspector General is in Disagreement	Appendix A.9 Page 40
Section 5(a)(13)	Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996	Appendix A.11 Page 50
Section 5(a)(14) and (15)	Peer Reviews of USDA OIG	Page 26
Section 5(a)(16)	Peer Reviews Conducted by USDA OIG	Page 27

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

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

**National Defense Authorization Act for FY 2008**

Section 845	Contract Audit Reports with Significant Findings	Appendix A.4 Page 36
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# Assessing the Impact of OIG

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## 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.
- Reduce program vulnerabilities and strengthen program integrity in the delivery of program assistance.
- 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 the 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, asset forfeiture),
- administrative sanctions, and
- OIG Hotline complaints.

## Performance Results Under Our Strategic Goals

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<b>Performance Measures</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Target</b>	<b>FY 2015 Actual</b>
OIG direct resources dedicated to critical-risk and high-impact activities.	95.3%	94%	96.7%
Audit recommendations where management decisions are achieved within 1 year.	94.2%	92%	90.9%
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%	90%	100%
Closed investigations that resulted in a referral for action to USDOJ, State, or local law enforcement officials, or relevant administrative authority.	87.9%	75%	88.9%
Closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.	81.5%	70%	82.3%

## Key OIG Accomplishments for FY 2015 (October 1, 2014-September 30, 2015)

Summary of Audit Activities	FY 2015 1st Half	FY 2015 2nd Half	FY 2015 Total
<b>Reports Issued</b>			
Number of Final Reports	14	24	38
Number of Interim Reports	0	1	1
Number of Final Report Recommendations (178 program improvement/27 monetary)	60	145	205
Number of Interim Report Recommendations	0	0	0
<b>Total Dollar Impact of Reports at Issuance (Millions)</b>	\$39	\$776.2	\$815.2
Questioned/Unsupported Costs	\$38.6	\$758.9	\$797.5
Funds to Be Put to Better Use	\$0.4	\$17.3	\$17.7
<b>Management Decisions Reached</b>			
Number of Reports	18	19	37
Number of Recommendations (276 program improvements/63 monetary)	203	136	339

Summary of Investigative Activities	FY 2015 1st Half	FY 2015 2nd Half	FY 2015 Total
<b>Reports Issued</b>	147	133	280
<b>Impact of Investigations</b>			
Indictments	278	289	567
Convictions	389	428	817
Arrests	202	327	529
<b>Total Dollar Impact (Millions)</b>	\$256.1	\$175.2	\$431.3
<b>Administrative Sanctions</b>	310	478	788

## Appendix A: Audit Tables

### Appendix A.1 Activities and Reports Issued

#### Summary of Audit Activities, April 1, 2015 - September 30, 2015

<b>Reports Issued: 24</b>	Audits and Non-audit Services Performed by OIG	23 <sup>a</sup>
	Audits Performed Under the Single Audit Act	0
	Audits and Non-audit Services Performed by Others	1
<b>Management Decisions Made: 136</b>	Number of Reports	19
	Number of Recommendations	136
<b>Total Dollar Impact (Millions) of Management-Decided Reports: \$779.1 million</b>	Total Questioned/Unsupported Costs	\$755.1 <sup>b,c</sup>
	Recommended for Recovery	\$1.9
	Not Recommended for Recovery	\$753.2
	Funds to Be Put to Better Use	\$24
<sup>a</sup> One of these 23 was performed as a non-audit service, which is not covered by Government Accounting Standards. <sup>b</sup> These were the amounts the auditees agreed to at the time of management decision. <sup>c</sup> The recoveries realized could change as auditees implement the agreed-upon corrective action plan and seek recovery of amounts recorded as debts due the Department.		

#### Summary of Interim Reports Issued, April 1, 2015 - September 30, 2015

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 one interim report during this reporting period.

<b>Reports Issued: 1</b>	Audits Performed by OIG	1
	Audits Performed Under the Single Audit Act	0
	Audits Performed by Others	0
<b>Management Decisions Made: 0</b>	Number of Reports	0
	Number of Recommendations	0
<b>Total Dollar Impact (Millions) of Management-Decided Reports: \$0 million</b>	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 Audit Reports with Questioned Costs and Loans, April 1, 2015 - September 30, 2015

Category	Number	Questioned Costs and Loans		Unsupported <sup>a</sup> Costs and Loans
Reports for which no management decision had been made by April 1, 2015. <sup>b</sup>	5	\$184,376,990		\$0
Reports which were issued during the reporting period.	7	\$758,904,722		\$0
<b>Total reports with questioned costs and loans.</b>	<b>12</b>	<b>\$943,281,712</b>		<b>\$0</b>
Of the 12 reports, those for which management decision was made during the reporting period.	8	<i>Recommended for recovery</i>	\$1,893,375 <sup>c</sup>	\$0
		<i>Not recommended for recovery</i>	\$753,198,260	\$0
		<i>Costs not disallowed</i>	\$223,160	\$0
Of the 12 reports, those for which no management decision has been made by the end of this reporting period.	4	\$188,016,188		\$0
<sup>a</sup> Unsupported values are included in questioned values. <sup>b</sup> Carried over from previous reporting periods. <sup>c</sup> The amount recommended for recovery includes an additional \$49,271 identified subsequent to our audit work. This amount is not included in the \$188,016,188 balance reported at the end of this reporting period.				

### Appendix A.3

#### Inventory of Audit Reports with Recommendations that Funds be Put to Better Use

Category	Number	Dollar Value	
Reports for which no management decision had been made by April 1, 2015. <sup>a</sup>	1	\$6,700,000	
Reports which were issued during the reporting period.	1	\$17,300,841	
<b>Total reports with recommendations that funds be put to better use.</b>	<b>2</b>	<b>\$24,000,841</b>	
Of the two reports, those for which management decision was made during the reporting period.	2	<i>Disallowed costs</i>	\$24,000,841
		<i>Costs not disallowed</i>	\$0
Of the two reports, 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 April 1, 2015 through September 30, 2015.

## **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 131 program improvement recommendations, and management agreed to implement a total of 117 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):

- FSIS should complete a written assessment of the current status of PHIS implementation that includes prioritized corrective actions with specific timeframes for completion.
- USDA should create a Departmental strategic goal for the Beginning Farmers and Ranchers initiative that identifies the desired outcomes for its beginning farmers and ranchers assistance and links them to related agency performance goals.
- FNS should obtain from the Office of the General Counsel (OGC) a legal opinion on whether FNS' broad-based categorical eligibility policy complies with the Federal regulation requiring that all SNAP household members must receive, or be authorized to receive, services from another program that meets SNAP regulatory requirements.

## Appendix A.6 Audit Reports and Non-audit Services

OIG issued 23 audit reports, including 1 performed by others. OIG also issued one report performed as a non-audit service. During this same period, one interim report was issued. The following is a summary of those audit products by agency:

<b>Audit Report Totals</b>	
Total funds that can be put to better use	\$17,300,841
Total questioned costs and loans <sup>a</sup>	\$758,904,722
<sup>a</sup> Unsupported values of \$0 are included in the questioned values.	

### Summary of Reports Including Audits and Non-Audit Services Released from April 1, 2015 - September 30, 2015

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	15	\$756,308,977	\$0	\$17,300,841
Multi-Agency Audit	9	\$2,595,745	\$0	\$0
Total Completed Under Contract <sup>b</sup>	1			
Issued Audits Completed Under the Single Audit Act	0			
<sup>a</sup> Unsupported values are included in the questioned values.				
<sup>b</sup> Audit performed by others and part of the single agency audits.				

### Summary of Interim Reports Released From April 1, 2015 through September 30, 2015

Agency Type	Interim Released	Questioned Costs and Loans	Unsupported Costs and Loans	Funds to be Put to Better Use
Single Agency Audit	1	\$0	\$0	\$0
Multi-Agency Audit	0	\$0	\$0	\$0
Total Completed Under Contract	0			
Issued Audits Completed Under the Single Audit Act	0			

## Reports Released and Associated Monetary Values from April 1, 2015 - September 30, 2015

Totals by Agency	Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to be Put to Better Use
Animal and Plant Health Inspection Service: 1	33601-0002-41	PA	09/08/15	APHIS' Wildlife Services: Wildlife Damage Management		
Farm Service Agency: 2	03501-0001-12	PA	05/26/15	Review of Farm Service Agency's Initiative to Modernize and Innovate the Delivery of Agricultural Systems (MIDAS)	\$430,749,343	
	03601-0003-22	PA	09/23/15	Farm Service Agency Microloans		
Food and Nutrition Service: 3	27601-0001-22	PA	09/28/15	Healthy, Hunger-Free Kids Act of 2010: Controls over Food Service Account Revenue		
	27601-0001-41	PA	04/28/15	FNS: National School Lunch and Breakfast Program	\$6,140,271	\$17,300,841
	27601-0002-41	PA	09/23/15	FNS Quality Control Process for Snap Error Rate	\$184,047,864	
Food Safety and Inspection Service: 2	24601-0001-23	PA	08/18/15	Implementation of the Public Health Information System for Domestic Inspection		
	24601-0004-31	PA	07/29/15	FSIS Ground Turkey Inspection and Safety Protocols		
Forest Service: 1	08601-0003-31	PA	09/24/15	Forest Service: Controls over the Stewardship Contracting Process for Land Management of National Forests		
Multi-agency: 9	50024-0004-13	PA	09/02/15	Review of the Department's Fleet Charge Card Data		
	50024-0007-11	PA	08/25/15	Executive Order 13520, Reducing Improper Payments, Fiscal Year 2014 High-dollar Overpayments Report Review		
	50024-0008-11	PA	05/15/15	USDA's Fiscal Year 2014 Compliance with Improper Payment Requirements		
	50099-0001-12	PA	09/14/15	Review of Expenditures Made by the Assistant Secretary for Civil Rights	\$2,595,745	
	50099-0001-21	NAS	09/30/15	Processing of Freedom of Information Act Requests		
	50601-0001-32	PA	09/22/15	Controls over APHIS' Introduction of Genetically Engineered Organisms		
	50601-0002-12	PA	09/24/15	Farm and Foreign Agriculture Service's Compliance with Contractor Past Performance Reporting Requirements		
	50601-0003-21	PA	09/09/15	<i>In Re</i> Black Farmers Discrimination Litigation: Adjudicated Claims		
	50601-0003-31	PA	05/13/15	USDA Beginning Farmers and Ranchers Programs		

Totals by Agency	Report Number	Report Type*	Release Date	Title	Questioned Costs and Loans	Funds to be Put to Better Use
Natural Resources Conservation Service: 1	10601-0001-23	PA	09/28/15	NRCS Controls over Land Valuations for Conservation Easements	\$1,344,860	
Office of Chief Financial Officer: 2	11401-0001-12	FA	09/29/15	Statement on Standards for Attestation Engagement No. 16 Report on Controls at the National Finance Center for October 1, 2014 To July 31, 2015		
	11401-0001-13	FA	09/22/15	Agreed-upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management.		
Risk Management Agency: 2	05601-0001-22	PA	04/30/15	Risk Management Agency National Program Operations Reviews		
	05601-0003-31	PA	04/16/15	RMA: Rainfall and Vegetation Index Pilot Program—Pasture, Rangeland, Forage	\$133,998,920	
Rural Housing Service: 1	04901-0001-13	PA	09/24/15	Review of Rural Rental Housing's Tenant and Owner Information Using Data Analytics	\$27,719	
<b>Grand Total: 24</b>					<b>\$758,904,722</b>	<b>\$17,300,841</b>

\*Performance audits (PA), financial audits (FA), and non-audit services (NAS).

### Interim Reports Released and Associated Monetary Values, April 1, 2015 -September 30, 2015

Totals by Agency	Report Number	Report Type	Release Date	Title	Questioned Costs and Loans	Funds To Be Put To Better Use
Agricultural Research Service: 1	02007-0001-31(1)	PA	09/28/15	ARS: Meat Animal Research Center	-	-
Total: 1						

## **Appendix A.7 Management Decision**

OIG has no audits without management decision.

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

There are no new entries to report.

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

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

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

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

## Appendix A.10

### List of OIG Audits with Recommendations Pending Corrective Action for Period Ending September 30, 2015, by Agency

Audit Number	Audit Title	Issue Date	Total Number of Recs	Number of Open Recommendations		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
<b>GRAND TOTAL</b>			<b>432</b>	<b>20</b>	<b>391</b>	<b>21</b>
AMS: AGRICULTURAL MARKETING SERVICE						
01099-0001-21	OVERSIGHT OF THE BEEF RESEARCH AND PROMOTION BOARD'S ACTIVITIES	3/29/2013	1	0	1	0
01601-0002-32	NATIONAL ORGANIC PROGRAM - ORGANIC MILK OPERATIONS	7/15/2013	1	0	2	0
50601-0002-31	FSIS' AND AMS' FIELD-LEVEL WORKFORCE CHALLENGES (Multi-agency audit)	7/31/2013	7	0	FSIS: 2, 3, 4 AMS: 8, 9, 10, 11	0
TOTAL			9	0	9	0
APHIS: ANIMAL AND PLANT HEALTH INSPECTION SERVICE						
33601-0001-23	PLANT PROTECTION AND QUARANTINE PRECLEARANCE OFFSHORE PROGRAM	9/24/2014	8		1, 4, 5, 6, 10, 11, 12, 13	0
33601-0001-41	OVERSIGHT OF RESEARCH FACILITIES	12/9/2014	6	0	7, 8, 9, 10, 11, 15	0
33601-0002-41	APHIS WILDLIFE SERVICES - WILDLIFE DAMAGE MANAGEMENT	9/8/2015	7		1, 2, 3, 4, 5, 6, 7	
50601-0008-TE	CONTROLS OVER APHIS ISSUANCE OF GENETICALLY ENGINEERED ORGANISMS RELEASE PERMITS	12/8/2005	3	0	1, 2, 3	0
50601-0016-TE	CONTROLS OVER GENETICALLY ENGINEERED ANIMAL AND INSECT RESEARCH	5/31/2011	1	0	2	0
50601-0001-32	CONTROLS OVER APHIS' INTRODUCTION OF GENETICALLY ENGINEERED ORGANISMS	9/22/2015	13		1, 3, 4, 5, 6, 7, 9, 10, and 12	2, 8, 11, and 13
TOTAL			38	0	34	4

Audit Number	Audit Title	Issue Date	Total Number of Recs	Number of Open Recommendations		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
ARS: AGRICULTURAL RESEARCH SERVICE						
50601-0006-TE	CONTROLS OVER PLANT VARIETY PROTECTION AND GERMPLASM STORAGE	2/10/2006	6		1, 2, 3, 5, 6, 9	
50601-0010-AT	FOLLOWUP REVIEW ON THE SECURITY OF BIOHAZARDOUS MATERIAL AT USDA LABORATORIES	7/27/2005	1		2	
TOTAL			7	0	7	0
CCC: COMMODITY CREDIT CORPORATION						
06401-0020-FM	MONITORING THE AUDIT OF CCC'S FISCAL YEAR 2005 FINANCIAL STATEMENTS	11/9/2005	1		12	
TOTAL			1	0	1	0
DEPARTMENTAL MANAGEMENT						
50024-0001-13	REVIEW OF THE DEPARTMENT'S US BANK PURCHASE CARD AND CONVENIENCE CHECK DATA (OPPM)	3/13/2015	3		1, 2, 3	
89901-0001-13	REVIEW OF USDA CONTRACT DATABASES (OPPM)	9/25/2014	7		1, 2, 3, 4, 5, 6, 7	
91099-0002-21	USDA STRIKEFORCE INITIATIVE (OAO)	9/25/2014	13		1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13	
91099-0003-21	SECTION 2501 PROGRAM GRANTS AWAARDED, FISCAL YEARS 2010 – 2011 (oa)	3/26/2015	8		2, 3, 4, 5, 6, 7, 8, 9	
TOTAL			31	0	31	0
FAS: FOREIGN AGRICULTURAL SERVICE						
07601-0001-22	PRIVATE VOLUNTARY ORGANIZATION GRANT FUND ACCOUNTABILITY	3/31/2014	6		1, 2, 6, 9, 10, 11	
50601-0001-22	EFFECTIVENESS OF FAS' RECENT EFFORTS TO IMPLEMENT MEASURABLE STRATEGIES ALIGNED TO THE DEPARTMENT'S TRADE PROMOTION AND POLICY GOALS	3/28/2013	4		1, 3, 4, 5	
50601-0002-16	SECTION 632 (a) TRANSFER OF FUNDS FROM USAID TO USDA FOR AFGHANISTAN	2/6/2014	2		1, 2	
TOTAL			12	0	12	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Number of Open Recommendations		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
FNS: FOOD AND NUTRITION SERVICE						
27002-0011-13	ANALYSIS OF FNS' SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM FRAUD PREVENTION AND DETECTION EFFORTS	9/28/2012	1		3	
27004-0001-22	STATE AGENCIES' FOOD COSTS FOR THE FOOD AND NUTRITION SERVICE'S SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	9/25/2014	6		1, 2, 3, 4, 5, 6	
27099-0049-TE	FOOD STAMP PROGRAM FOR HURRICANES KATRINA AND RITA	9/4/2007	1		1	
27601-0001-23	NATIONAL SCHOOL LUNCH PROGRAM FOOD SERVICE MANAGEMENT COMPANY CONTRACTS	1/3/2013	8		1, 2, 7, 8, 11, 12, 13, 15	
27601-0001-31	FNS: CONTROLS FOR AUTHORIZING SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM RETAILERS	7/31/2013	18		1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20	
27601-0001-41	NATIONAL SCHOOL LUNCH AND SCHOOL BREAKFAST PROGRAMS	4/28/2015	10		1, 2, 3, 4, 5, 6, 7, 8, 9, 10	
27601-0002-41	FNS QUALITY CONTROL PROCESS FOR SNAP ERROR RATE	9/23/2015	19		1, 2, 3, 4, 5, 6, 7, 10, 13, 15	8, 9, 11, 12, 14, 16, 17, 18, 19
27601-0012-SF	REVIEW OF MANAGEMENT CONTROLS FOR THE CHILD AND ADULT CARE FOOD PROGRAM	11/18/2011	4		1, 2, 3, 4	
27601-0016-AT	FOOD STAMP EMPLOYMENT AND TRAINING PROGRAM	3/31/2008	1		1	
50601-00014-AT	EFFECTIVENESS AND ENFORCEMENT OF SUSPENSION AND DEBARMENT REGULATIONS IN THE U.S. DEPARTMENT OF AGRICULTURE	8/16/2010	2		11, 12	
TOTAL			70	0	61	9
FS: FOREST SERVICE						
08601-0001-CH	EVALUATION OF FOREST SERVICE'S PROCESS TO OBTAIN AND GRANT RIGHTS-OF-WAY AND EASEMENTS	3/15/2012	1		2	
08601-0001-31	FS OVERSIGHT AND COMPLIANCE ACTIVITIES	3/13/2015	5		2, 3, 4, 5, 6	
08601-0003-31	FS: CONTROLS OVER THE STEWARDSHIP CONTRACTING PROCESS FOR LAND MANAGEMENT OF NATIONAL FORESTS	9/24/2015	6		1, 2, 3, 4, 5, 6	

Audit Number	Audit Title	Issue Date	Total Number of Recs	Number of Open Recommendations		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
08601-0055-SF	FOREST SERVICE'S ADMINISTRATION OF SPECIAL USE PROGRAM	6/16/2011	1		17	
TOTAL			13	0	13	0
FSA: FARM SERVICE AGENCY						
03006-0001-TE	1993 CROP DISASTER PAYMENTS - BROOKS/JIM HOGG COS., TX	1/2/1996	1	1A		
03006-0002-SF	DISASTER ASSISTANCE PROGRAM - 1994 - FRESNO COUNTY, CA	3/29/1996	1	4		
03099-0181-TE	FARM SERVICE AGENCY PAYMENT LIMITATION REVIEW IN LOUISIANA	5/9/2008	1	2		
03501-0001-12	REVIEW OF FARM SERVICE AGENCY'S INITIATIVE TO MODERNIZE AND INNOVATE THE DELIVERY OF AGRICULTURAL SYSTEMS (MIDAS)	5/26/2015	4		1, 2, 3, 4	
03601-0001-22	COMPLIANCE ACTIVITIES	7/31/2014	9		1, 2, 3, 4, 5, 6, 7, 8, 9	
03601-0002-22	ECONOMIC ADJUSTMENT ASSISTANCE TO USERS OF UPLAND COTTON	7/31/2014	7		1, 2, 3, 4, 5, 6, 7	
03601-0003-22	FARM SERVICE AGENCY MICROLOANS	9/23/2015	7		1, 2, 3, 4, 6, 7	5
03601-0007-TE	EMERGENCY FEED PROGRAM IN TEXAS	9/18/1996	3	4A, 5B, 6A		
03601-0012-AT	TOBACCO TRANSITION PAYMENT PROGRAM – QUOTA HOLDER PAYMENTS AND FLUE-CURED TOBACCO QUOTAS	9/26/2007	2	2, 6		
03601-0018-CH	FARM SERVICE AGENCY FARM LOAN SECURITY	8/10/2010	1		2	
03601-0023-KC	HURRICANE RELIEF INITIATIVE: LIVESTOCK INDEMNITY AND FEED INDEMNITY PROGRAMS	2/2/2009	1		4	
03601-0028-KC	BIOMASS CROP ASSISTANCE PROGRAM: COLLECTION, HARVEST, STORAGE AND TRANSPORTATION MATCHING PAYMENTS PROGRAM	5/30/2012	3	16, 21, 24		
03702-0001-32	FARM SERVICE AGENCY LIVESTOCK FORAGE PROGRAM	12/10/2014	10		1, 2, 3, 4, 5, 6, 7, 8, 9, 10	
50099-0011-SF	NATURAL RESOURCES CONSERVATION SERVICE AND FARM SERVICE AGENCY: CROP BASES ON LANDS WITH CONSERVATION EASEMENT – STATE OF CALIFORNIA	8/27/2007	2	2, 6		

Audit Number	Audit Title	Issue Date	Total Number of Recs	Number of Open Recommendations		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
50601-0002-12	FARM AND FOREIGN AGRICULTURAL SERVICE COMPLIANCE WITH CONTRACTOR PAST PERFORMANCE REPORTING REQUIREMENTS	9/24/2015	3		2, 3	1
50601-0015-AT	HURRICANE INDEMNITY PROGRAM – INTEGRITY OF DATA PROVIDED BY THE RISK MANAGEMENT AGENCY	3/31/2010	1	5		
TOTAL			56	14	40	2
FSIS: FOOD SAFETY AND INSPECTION SERVICE						
24601-0001-23	IMPLEMENTATION OF THE PUBLIC HEALTH INFORMATION SYSTEM FOR DOMESTIC INSPECTION	8/18/2015	8		2, 3, 4, 7, 8	1, 5, 6
24601-0001-31	APPLICATION OF FSIS SAMPLING PROTOCOL FOR TESTING BEEF TRIM FOR E. COLI O157:H7	5/9/2012	2		4, 5	
24601-0001-41	FSIS-INSPECTION AND ENFORCEMENT ACTIVITIES AT SWINE SLAUGHTER PLANTS	5/9/2013	3		3, 8, 9	
24601-0003-31	FSIS E.COLI TESTING OF BOXED BEEF	3/22/2013	1		12	
24601-0004-31	FSIS GROUND TURKEY INSPECTION AND SAFETY PROTOCOLS	7/29/2015	8		1, 2, 3, 4, 5, 6, 7, 8	
50601-0006-HY	ASSESSMENT OF USDA’S CONTROLS TO ENSURE COMPLIANCE WITH BEEF EXPORT REQUIREMENTS	7/15/2009	1		2	
TOTAL			23	0	20	3
NASS: NATIONAL AGRICULTURAL STATISTICS SERVICE						
TOTAL	NO AUDITS		0	0	0	0
NIFA: NATIONAL INSTITUTE OF FOOD AND AGRICULTURE						
TOTAL	NO AUDITS		0	0	0	0
NRCS: NATURAL RESOURCES CONSERVATION SERVICE						
10099-0001-31	NRCS’ ADMINISTRATION OF EASEMENT PROGRAMS IN WYOMING	9/27/2013	3		1, 2, 7	
10401-0003-11	NRCS’ FINANCIAL STATEMENTS FOR FISCAL YEAR 2013	12/9/2013	2		3, 5	
10401-0004-11	NRCS’ FINANCIAL STATEMENTS FOR FISCAL YEAR 2014	11/13/2014	5		1, 2, 3, 4, 5	

Audit Number	Audit Title	Issue Date	Total Number of Recs	Number of Open Recommendations		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
10601-0001-23	NRCS CONTROLS OVER LAND VALUATIONS FOR CONSERVATION EASEMENTS	9/28/2015	10		1, 2, 3, 4, 5, 7, 8, 9, 10	6
10601-0001-31	ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	7/24/2014	1		3	
10601-0004-KC	NATURAL RESOURCES CONSERVATION SERVICE'S SECURITY PROGRAM	6/25/2009	2	8,9		
10601-0002-31	NRCS CONSERVATION EASEMENT COMPLIANCE	7/31/2014	10		1, 2, 3, 4, 5, 6, 7, 8, 10, 11	
10703-0001-AT	RECOVERY ACT-REHABILITATION OF FLOOD CONTROL DAMS	3/25/2013	1		1	
TOTAL			34	2	31	1
OASCR: OFFICE OF THE ASSISTANT SECRETARY FOR CIVIL RIGHTS						
50099-0001-12	REVIEW OF EXPENDITURES MADE BY THE OFFICE OF THE ASSISTANT SECRETARY FOR CIVIL RIGHTS	9/14/2015	9		1, 2, 3, 5, 6, 7, 8, 9	4
TOTAL			9		8	1
OCFO: OFFICE OF THE CHIEF FINANCIAL OFFICER						
50024-0005-11	USDA IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010 COMPLIANCE REVIEW FOR FY 2013	4/15/2014	1		2	
50099-0001-23	USDA'S CONTROLS OVER ECONOMY ACT TRANSFERS AND GREENBOOK PROGRAM CHARGES	9/18/2014	1		10	
50401-0003-11	DEPARTMENT OF AGRICULTURE'S CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS 2012 AND 2011	11/15/2012	1		1	
50401-0007-11	DEPARTMENT OF AGRICULTURE'S CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS 2014 AND 2013	12/18/2014	1		1	
TOTAL			4		4	
OHSE: OFFICE OF HOMELAND SECURITY AND EMERGENCY OPERATIONS						
61701-0001-32	CLASSIFICATION MANAGEMENT	9/27/2013	11		1, 2, 3, 4, 9, 10, 11, 12, 15, 16, 17	
TOTAL			11	0	11	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Number of Open Recommendations		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
OCIO: OFFICE OF THE CHIEF INFORMATION OFFICER						
50501-0001-IT	USDA'S MANAGEMENT AND SECURITY OVER WIRELESS HANDHELD DEVICES	8/15/2011	3		1, 2, 4	
50501-0001-12	USDA'S CONFIGURATION, MANAGEMENT, AND SECURITY OVER DOMAIN NAME SYSTEM SERVERS	4/19/2012	1		3	
50501-0002-12	FISCAL YEAR 2011 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/15/2011	5		1, 3, 4, 5, 6	
50501-0002-IT	FISCAL YEAR 2010 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/15/2010	8		3, 4, 5, 6, 10, 14, 18, 19	
50501-0003-12	USDA, OFFICE OF THE CHIEF INFORMATION OFFICER, FISCAL YEAR 2012 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/15/2012	6		1, 2, 3, 4, 5, 6	
50501-0004-12	USDA, OFFICE OF THE CHIEF INFORMATION OFFICER, FISCAL YEAR 2013 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/26/2013	3		2, 3, 4	
50501-0005-12	CIGIE CLOUD COMPUTING INITIATIVE-STATUS OF CLOUD-COMPUTING ENVIRONMENT WITHIN THE USDA	9/26/2014	5		1, 2, 3, 4, 5	
50501-0006-12	USDA, OFFICE OF THE CHIEF INFORMATION OFFICER, FISCAL YEAR 2014 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/12/2014	2		1, 2	
50501-0015-FM	FISCAL YEAR 2009 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/18/2009	2		8, 9	
88401-0001-12	AUDIT OF THE OFFICE OF THE CHIEF INFORMATION OFFICER'S FY'S 2010 AND 2011 FUNDING RECEIVED FOR SECURITY ENHANCEMENTS	8/2/2012	3		1, 2, 4	
88501-0002-12	MANAGEMENT AND SECURITY OVER USDA'S UNIVERSAL TELECOMMUNICATIONS NETWORKS	7/17/2014	3		4, 5, 9	
TOTAL			41	0	41	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Number of Open Recommendations		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
RD: RURAL DEVELOPMENT						
04601-0001-31	SINGLE FAMILY HOUSING DIRECT LOAN SERVICING AND PAYMENT SUBSIDY RECAPTURE	7/18/2014	8		1, 2, 6, 7, 9, 10, 11, 12	
04601-0018-CH	RURAL DEVELOPMENT'S RRH PROGRAM MAINTENANCE COSTS AND INSPECTION PROCEDURES	9/27/2012	6		1, 2, 3, 4, 5, 6	
04901-0001-13	REVIEW OF RURAL RENTAL HOUSING'S TENANT AND OWNER DATA USING DATA ANALYTICS	9/24/2015	9		1, 2, 4, 5, 6, 7, 8, 9	3
09703-0001-22	RURAL UTILITIES SERVICE CONTROLS OVER RECOVERY ACT WATER AND WASTE LOANS AND GRANTS EXPENDITURES AND PERFORMANCE MEASURES	3/26/2013	2		1, 2	
09703-0001-32	AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 - BROADBAND INITIATIVES PROGRAM - PRE-APPROVAL CONTROLS	3/29/2013	1		3	
09703-0002-22	REVIEW OF A UTILITY COMPANY'S USE OF RUS FINANCIAL ASSISTANCE	8/14/2014	2		6, 7	
09703-0002-32	AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009-BROADBAND INITIATIVES PROGRAM-POST-AWARD CONTROLS	8/22/2013	1		3	
34601-0001-31	RURAL BUSINESS-COOPERATIVE SERVICE GRANT PROGRAM-DUPLICATION	3/25/2014	2		1, 2	
34601-0006-AT	RURAL BUSINESS-COOPERATIVE SERVICE'S INTERMEDIARY RELENDING PROGRAM	6/25/2010	1	1		
34601-0015-TE	NATIONAL REPORT ON B&I LOAN PROGRAM	9/30/2003	4		1, 2, 5, 9	
34703-0001-32	AMERICAN RECOVERY AND REINVESTMENT ACT-BUSINESS AND INDUSTRY GUARANTEED LOANS-PHASE 3	3/29/2013	3		1, 2, 6	
34703-0002-TE	AMERICAN RECOVERY AND REINVESTMENT ACT-BUSINESS AND INDUSTRY GUARANTEED LOANS, PHASE 2	12/5/2011	2		2, 4	
TOTAL			41	1	39	1

Audit Number	Audit Title	Issue Date	Total Number of Recs	Number of Open Recommendations		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
RMA: RISK MANAGEMENT AGENCY						
05099-0027-AT	CITRUS INDEMNITY DETERMINATIONS MADE FOR 2004 HURRICANE DAMAGES IN FLORIDA	3/26/2007	1	1		
05401-0003-11	FEDERAL CROP INSURANCE CORPORATION / RISK MANAGEMENT AGENCY'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2013 AND 2012	12/12/2013	1		4	
05401-0004-11	FEDERAL CROP INSURANCE CORPORATION / RISK MANAGEMENT AGENCY'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2014 AND 2013	12/18/2014	2		1,2	
05601-0001-22	RISK MANAGEMENT AGENCY NATIONAL PROGRAM OPERATIONS REVIEWS	4/30/2015	4		1,2,3,4	
05601-0001-31	CONTROLS OVER PREVENTED PLANTING	9/3/2013	2		1,2	
05601-0003-31	RAINFALL AND VEGETATION INDEX PILOT PROGRAM-PASTURE, RANGELAND, FORAGE	4/16/2015	1		1	
05601-0015-TE	CROP LOSS AND QUALITY ADJUSTMENTS FOR AFLATOXIN-INFECTED CORN	9/30/2008	1	1		
TOTAL			12	2	10	0
MULTI-AGENCY						
50024-0008-11	USDA'S FISCAL YEAR 2014 COMPLIANCE WITH IMPROPER PAYMENT REQUIREMENTS	5/15/2015	8		FNS: 1, 2, 3, 6, 8 FSA: 5 OCFO: 4, 7,	
50601-0003-31	USDA BEGINNING FARMERS AND RANCHERS PROGRAM	5/13/2015	7		1, 2, 3, 4, 5, 6, 7	
50703-0001-23	AMERICAN RECOVERY AND REINVESTMENT ACT, TRADE ADJUSTMENT ASSISTANCE FOR FARMERS PROGRAM	10/18/2013	5	9 (FSA)	FSA: 7, 11, 12, 13	
TOTAL			20	1	19	0

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

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

For FY 2014, USDA reported that it was not substantially compliant with FFMIA with regards to Federal Financial Management System Requirements, accounting standards, the Standard General Ledger at the transaction level, and FISMA requirements. OIG concurs with the Department's assessment and discussed the noncompliances in OIG's report on the Department's Consolidated Financial Statements for 2014 and 2013. Although the Department continues to move forward with remediation plans to achieve compliance for longstanding Department-wide weaknesses related to systems security as well as noncompliance with accounting standards for one component agency (NRCS) and the Standard General Ledger related to two component agencies (CCC and NRCS), it re-assessed the timeframes and plans to achieve compliance in all areas by the end of FY 2017.

## Appendix B: Investigation Tables

### Appendix B.1

#### Summary of Investigative Activities, April 1, 2015 - September 30, 2015

<b>Reports Issued: 133</b>	Cases Opened	201
	Cases Referred for Prosecution	143
<b>Impact of Investigations</b>	Indictments	289
	Convictions <sup>a</sup>	428
	Searches	146
	Arrests	327
<b>Total Dollar Impact (Millions): \$175.2 million</b>	Recoveries/Collections <sup>b</sup>	1.7
	Restitutions <sup>c</sup>	131.7
	Fines <sup>d</sup>	8.4
	Asset Forfeitures <sup>e</sup>	11.2
	Claims Established <sup>f</sup>	21.7
	Cost Avoidance <sup>g</sup>	0.1
	Administrative Penalties <sup>h</sup>	0.4
<b>Administrative Sanctions: 478</b>	Employees	8
	Business/Persons	470

<sup>a</sup> Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 428 convictions do not necessarily relate to the 289 indictments.

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

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

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

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

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

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

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

## Appendix B.2 Indictments and Convictions

From April 1, 2015 through September 30, 2015, OIG completed 133 investigations. We referred 143 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 289 indictments and 428 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 428 convictions do not necessarily relate to the 289 indictments. Fines, recoveries/collections, restitutions, claims established, cost avoidance, and administrative penalties resulting from our investigations totaled approximately \$175.2 million. The following is a breakdown, by agency, of indictments and convictions for the reporting period.

### Indictments and Convictions—April 1, 2015-September 30, 2015

Agency	Indictments	Convictions*
AMS	0	3
APHIS	3	8
FNS	253	371
FS	5	3
FSA	13	19
FSIS	3	7
GIPSA	0	1
NIFA	0	1
NRCS	0	2
RBS	1	3
RHS	6	4
RMA	5	6
<b>Totals</b>	<b>289</b>	<b>428</b>

\* This category includes pretrial diversions.

## Appendix B.3 OIG Hotline

The OIG hotline serves as a national intake point for reports from both employees and the general public of suspected incidents of fraud, waste, mismanagement, and abuse in USDA programs and operations. During this reporting period, the hotline received 2,205 complaints, which included allegations of participant fraud, employee misconduct, and mismanagement, as well as opinions about USDA programs. The following tables are a summary of the Hotline complaints for the second half of FY 2015.

### Number of Complaints Received

Type	Number
Employee Misconduct	129
Participant Fraud	1,842
Waste/Mismanagement	165
Health/Safety Problem	18
Opinion/Information	50
Bribery	1
Reprisal	0
<b>Total Number of Complaints Received</b>	<b>2,205</b>

### Disposition of Complaints Received

Method of Disposition	Number
Referred to OIG Audit or Investigations for Review	38
Referred to Other Law Enforcement Agencies	1
Referred to USDA Agencies for Response	328
Referred to FNS for Tracking	1,547
Referred to USDA or Other Agencies for Information- No Response Needed	252
Filled Without Referral-Insufficient Information	35
Referred to State Agencies	4

## Appendix C: Freedom of Information Act Activities

**Table C.1**  
**Freedom of Information Act (FOIA) and Privacy Act Requests,**  
**April 1, 2015 - September 30, 2015**

Categories	Type	Number
<b>FOIA/PA Requests Processed</b>	<b>FOIA/Privacy Act Requests Received</b>	<b>46</b>
	Granted	1
	Partially Granted	24
	Not Granted	33
	<b>Total FOIA/Privacy Act Requests Processed</b>	<b>58<sup>1</sup></b>
<b>Reasons for Denial</b>	No Records Available	14
	Referred to Other Agencies	5
	Requests Denied in Full Exemption 5	1
	Requests Denied in Full Exemption 7(A)	6
	Requests Denied in Full Exemption 7(C)	0
	Request Withdrawn	4
	Fee-Related	0
	Not a Proper FOIA Request	2
	Not an Agency Record	0
	Duplicate Request	0
	Record not reasonably described	1
<b>Requests for OIG Reports from Congress and Other Government Agencies</b>	Received	3
	Processed	3
<b>Appeals</b>	<b>Appeals Received</b>	<b>5</b>
	<b>Appeals Processed</b>	<b>4</b>
	Completely Upheld	2
	Partially Reversed	2
	Completely Reversed	0
	Requests Withdrawn	0
	Other	0
<b>OIG Reports/Documents Released in Response to Requests</b>		<b>17</b>
NOTE 1: A request may involve more than one report.		
<sup>1</sup> The total number of FOIA/Privacy Act requests processed includes requests received from prior reporting periods.		

## Acronyms and Abbreviations

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Abbreviation	Full Name
AFR.....	Agency Financial Report
AIP.....	approved insurance providers
AMD.....	Acquisition Management Division
AMS.....	Agricultural Marketing Service
APHIS.....	Animal and Plant Health Inspection Service
ARS.....	Agricultural Research Service
BFDL.....	Black Farmers Discrimination Litigation
CA.....	Claims Administrator
CCC.....	Commodity Credit Corporation
CIO.....	Chief Information Officer
CFC.....	Combined Federal Campaign
CIGIE.....	Council of the Inspectors General on Integrity and Efficiency
CPARS.....	Contractor Performance Assessment Reporting System
EBT.....	electronic benefits transfer
EWP.....	Emergency Watershed Protection Program
FA.....	financial audits
FAS.....	Foreign Agricultural Service
FBI.....	Federal Bureau of Investigation
FCIP.....	Federal Crop Insurance Program
FDA.....	Food and Drug Administration
FFAS.....	Farm and Foreign Agricultural Services
FFMIA.....	Federal Financial Management Improvement Act of 1996
FISMA.....	Federal Information Security Management Act of 2002
FITARA.....	Federal Information Technology and Acquisition Reform Act
FNS.....	Food and Nutrition Service
FOIA.....	Freedom of Information Act
FRPP.....	Farm and Ranch Lands Protection Program
FS.....	Forest Service
FSA.....	Farm Service Agency
FSIS.....	Food Safety and Inspection Service
FY.....	fiscal year
GAO.....	Government Accountability Office
GE.....	genetically engineered
GIPSA.....	Grain Inspection, Packers, and Stockyards Administration
HCAD.....	Head of the Contracting Activity Designee
HHFKA.....	Healthy, Hunger-Free Kids Act of 2010
HHS.....	Health and Human Services
HUD.....	Housing and Urban Development
ICE-HSI.....	Immigration and Customs Enforcement-Homeland Security Investigations
IPIA.....	Improper Payments Information Act
IRS-CI.....	Internal Revenue Service-Criminal Investigation
IT.....	information technology
LFPC.....	Local Fleet Program Coordinator
MIDAS.....	Modernize and Innovate the Delivery of Agricultural Systems
MIS.....	Management Information System 2000

NAS..... non-audit services  
 NFC..... National Finance Center  
 NIFA..... National Institute of Food and Agriculture  
 NPOR..... National Program Operations Review  
 NRCS..... Natural Resources Conservation Service  
 NSLP..... National School Lunch Program  
 NTSB..... National Transportation Safety Board  
 OAO..... Office of Advocacy and Outreach  
 OASCR..... Office of the Assistant Secretary for Civil Rights  
 OCFO..... Office of the Chief Financial Officer  
 OCI..... Office of Compliance and Integrity  
 OI..... Office of Investigations  
 OIG..... Office of Inspector General  
 OMB..... Office of Management and Budget  
 OPM..... Office of Personnel Management  
 OPPM..... Office of Procurement and Property Management  
 OSC..... Office of Special Counsel  
 PA..... performance audits  
 PHIS..... Public Health Information System  
 PRF..... Pasture, Rangeland and Forest  
 QC..... quality control  
 RBS..... Rural Business - Cooperative Service  
 RD..... Rural Development  
 REE..... Research, Education, and Economics  
 RHS..... Rural Housing Service  
 RMA..... Risk Management Agency  
 RRH..... Rural Rental Housing  
 SAR..... Suspicious Activity Report  
 SARC..... Semiannual Report to Congress  
 SFA..... school food authority  
 SNAP..... Supplemental Nutrition Assistance Program  
 SRA..... Standard Reinsurance Agreement  
 TIGTA..... Treasury Inspector General for Tax Administration  
 USDA..... United States Department of Agriculture  
 USMARC..... United States Meat Animal Research Center  
 USPS..... United States Postal Service  
 WIC..... Special Supplemental Nutrition Program for Women, Infants, and Children  
 W&B..... weight and balance  
 WRP..... Wetlands Reserve Program  
 WS..... Wildlife Services

## **Management-Agreed Recommendations for Program Improvement: 117 total**

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For this reporting period, there was a total of 117 program improvement recommendations that management agreed to. Below are some examples:

- FSIS should complete a written assessment of the current status of the Public Health Information System implementation that includes prioritized corrective actions with specific timeframes for completion.
- USDA should create a Departmental strategic goal for the beginning farmers and ranchers initiative that identifies the desired outcomes for its beginning farmers and ranchers assistance and links them to related agency performance goals.
- FNS should obtain from the Office of the General Counsel (OGC) a legal opinion on whether FNS' broad-based categorical eligibility policy complies with the Federal regulation requiring that all SNAP household members must receive, or be authorized to receive, services from another program that meets SNAP regulatory requirements.

## **OIG's Mission**

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

## **OIG Strategic Goals**

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

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

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

## How To Report Suspected Wrongdoing in USDA Programs

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Click on Submit a Complaint

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**Bribes or Gratuities**  
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