



United States Department of Agriculture

USDA Management Challenges



September 2019

OFFICE OF INSPECTOR GENERAL

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

STRATEGIC GOALS

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

Message from the **INSPECTOR GENERAL**

The Office of Inspector General (OIG) assists the U.S. Department of Agriculture (USDA) to provide the best possible service to the American public and domestic agriculture. To accomplish this aim, we must work together to identify agency programs and core management functions that may be vulnerable to waste, fraud, abuse, and mismanagement. These vulnerabilities can affect USDA's ability to achieve its mission.¹ Since the Reports Consolidation Act of 2000, OIG has annually reported on the Department's progress in addressing its most critical management challenges.²

Since 2015, we have focused on seven major challenges for USDA and its specific programs. These challenges represent areas where USDA could improve its efforts to achieve overall excellence for the Department. We highlight the Department's progress towards addressing each challenge, referencing OIG work from June 1, 2018 to May 31, 2019, as well as OIG findings discussed in the previous year. We also reviewed the Office of the Chief Financial Officer's (OCFO) monthly report of open recommendations as of May 31, 2019, to determine the status of relevant recommendations. We highlighted individual open and closed recommendations in the narrative of each challenge; we have selected these recommendations for their relevance and potential impact to the challenge.³

We recognize that the audit recommendations highlighted in this report represent only a small fraction of USDA's progress as well as areas that still

¹ Government Performance and Results Modernization Act of 2010, Pub. L. No. 111-352.

² Pub. L. No. 106-531.

³ We consider recommendations "open" when final action has not been accepted by OCFO. Recommendations with no management decision (i.e., no agreement between the agency and OIG as to the actions to take regarding the recommendations and the timeframe for completing the actions) are considered "open" for the purpose of our analysis. In the case of closed recommendations, we have not verified the implementation of the Department's corrective actions but rather consider recommendations "closed" when OCFO has determined that all agency actions are completed and has accepted final action.

need attention. As of May 31, 2019, OCFO reported 394 recommendations without corrective actions. As the Department strives to address these seven management challenges through corrective actions, USDA should continue its efforts to implement outstanding audit recommendations in order to protect the health of the American public, information technology (IT) security, financial management, and the integrity of its many programs.

In closing, we would like to express our sincere appreciation to the Secretary and the Deputy Secretary for their support of our mission and their commitment to excellence across USDA. We look forward to working with the Department and its agencies to further address these management challenges in the coming year.

If you have any questions or would like to discuss these management challenges, please contact me (202-720-8001). You or your staff may also contact Audit's Assistant Inspector General, Gil H. Harden (202-720-6945), or Investigations' Acting Assistant Inspector General, Peter Paradis (202-720-7431).

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

Phyllis K. Fong
Inspector General

cc: Subcabinet Officials, Agency Administrators

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Challenge 1:

USDA Needs to Improve Oversight and Accountability for its Programs

Challenge for the Department

As one of the Federal Government's largest departments, USDA faces the challenge of managing a wide range of programs, each with their own requirements and vulnerabilities.

In FY 2019, USDA's 29 agencies and offices and nearly 100,000 employees were responsible for delivering approximately \$144 billion in public services. Providing the appropriate level of oversight while administering these programs so that every dollar spent accomplishes the intended results poses significant challenges to USDA program managers.

Background

USDA managers are responsible for establishing an effective internal control system, ensuring a culture of compliance with those controls, and holding employees accountable for implementing those controls. Managers use internal controls to ensure programs achieve intended results efficiently and effectively; they provide for program integrity and proper stewardship of resources. Since systemic control flaws can yield systemic program weaknesses—e.g., unrealized goals—managers must continuously assess and improve their internal control systems. If management does not emphasize those controls, Federal programs will not function as intended.

The Department's Progress

USDA has made some progress improving accountability for its programs when OIG or other third parties, such as the Government Accountability Office (GAO), have identified deficiencies. For example, one USDA agency has made progress in addressing the risk of agroterrorism, which poses a threat to national security and could result in human illness or death, or the destruction of crops and livestock. Following a 2017 audit on USDA's overall agroterrorism preparedness,⁴ we focused our review in 2018 on three USDA agencies with responsibilities pertaining to agroterrorism and emergency preparedness—the Animal and Plant Health Inspection Service (APHIS), the Agricultural Research Service (ARS), and the Food Safety and Inspection Service (FSIS).

While we found that these agencies developed plans and initiated actions to prevent, detect, and respond to agroterrorism threats or attacks, they still need to enhance their current process of tracking and reporting these actions. OIG made 12 recommendations to the three agencies. In response to our audit work, FSIS has addressed its three recommendations,

⁴ Audit Report 61701-0001-21, *Agroterrorism Prevention, Detection, and Response*, Mar. 2017.

agreeing to improve compilation of its agroterrorism preparedness data, improve its reporting process, and regularly update the status of its efforts to address vulnerabilities.⁵

▶ **Closed Recommendation:** _____

Formally document the agency's current process to respond to information requests and revise it to include a step to compile completed agroterrorism preparedness actions throughout the year and planned activities for future periods.

What Remains to be Done

The Department still has not taken steps to address vulnerabilities in its agroterrorism preparedness that we identified in prior years. We found that the Office of Homeland Security and Emergency Coordination (OHSEC) had not adequately overseen and coordinated USDA's efforts to prevent, detect, and respond to agroterrorism.

▷ **Open Recommendation:** _____

Develop and implement a written process for how OHSEC oversees and coordinates USDA's agroterrorism prevention, detection, and response activities. At a minimum, this process should include steps to: (a) perform a USDA-wide vulnerability assessment for agroterrorism preparedness every 2 years, and (b) integrate, coordinate, and communicate response plans for agricultural disease emergencies and agroterrorist acts.

⁵ Audit Report 50701-0001-21, *USDA Agency Activities for Agroterrorism Prevention, Detection, and Response*, Sept. 2018.

Anticipated Future Work

- **Environmental Quality Incentive Program (EQIP) Payment Schedules**

Our objectives will be to determine if the Natural Resources Conservation Service's (NRCS) EQIP payment schedules represent the producer's cost to implement the conservation practice(s), and if the payments are in accordance with the statutory limit. In addition, we will determine if the use of regional payment schedules is a cost-effective method to provide adequate coverage for all natural resource concerns.

- **Multi-Family Housing Tenant Eligibility**

We will evaluate the Rural Housing Service's controls over the tenant certification and re-certification process, including income verification.

Challenge 2:

Information Technology Security Needs Continuous Improvement

Challenge for the Department

Like other Departments, USDA faces threats to its IT security from adversarial nations, hostile non-state actors, and criminals seeking to exploit vulnerabilities. As Federal agencies rely more on data stored using information technology, the risk of a security breach increases. In recent years, USDA has taken action to improve its IT security. However, OIG's reviews have shown that the Department still faces vulnerabilities across a broad front of IT security-related fields. Overall, USDA has not fully complied with the standards for safeguarding IT systems, as required by the Federal Information Security Modernization Act

of 2014 (FISMA).⁶ The Department's challenge is further complicated because, in order for USDA to attain a sustainable and secure IT posture, all of its many agencies must consistently implement Departmental policy.

Background

In order to provide benefits and services to the American public, USDA must efficiently manage vast amounts of data. Some of this information is sensitive and its inappropriate release could cause significant problems. Members of the public apply for and access many USDA programs, benefits, and other services through online or mobile portals, which can require the transfer of personal information. USDA employees must be able to access, use, and communicate this information reliably and timely. The Department thus faces a significant challenge in safeguarding this information by protecting the security, confidentiality, and integrity of its IT infrastructure, even as it allows authorized users to access and use this information.

Since 2002, OIG has annually reviewed the Department's cybersecurity initiatives, including those that shield IT equipment and systems from theft, attack, and intrusion. Our reviews have consistently found that the Department faces great challenges in complying with FISMA, but that Department leadership has emphasized overcoming these challenges and eventually reaching full compliance.

The Department's Progress

USDA continues to take positive steps to improve its IT security posture. Of OIG's 67 recommendations to improve the overall security of USDA systems made in fiscal years (FY) 2009–2017,

⁶ Federal Information Security Modernization Act of 2014, 44 U.S.C. §§ 3551–3557.

the Department has closed 47 recommendations. For instance, the Continuous Diagnostic Monitoring (CDM) program is a dynamic approach established by Congress to provide adequate, risk-based, and cost-effective cybersecurity and more efficiently allocate cybersecurity resources. We recommended that the Department increase leadership visibility and operational participation in the CDM program, which OCIO stated has been negatively affected by inadequate funding.⁷ OCIO has taken actions to close this recommendation.

► **Closed Recommendation:** _____

USDA needs to develop a strategy to attain adequate resources to ensure that the CDM program is effectively implemented, maintained, and funded across the entire Department for the life of the program.

What Remains to be Done

Despite the Department’s push to close outstanding recommendations, the FY 2018 FISMA audit reported that 20 recommendations were overdue. This was an improvement over the 27 open recommendations reported in the FY 2017 FISMA audit, but each recommendation represents an opportunity for additional progress.⁸ For example, the Department needs to improve its policies and procedures for preserving the privacy of users’ information.

Overall, OMB established standards for an effective level of security and considers “managed and measurable” as a sufficient level. However, since our FY 2018 FISMA review found the Department’s maturity level to be at the lower, “defined” level,

⁷ Audit Report 50501-0012-12, *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2016 Federal Information Security Modernization Act*, Nov. 2016.

⁸ Audit Report 50501-0018-12, *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2017 Federal Information Security Modernization Act*, Oct. 2017.

the Department's overall score indicates an ineffective level, based on OMB's criteria.⁹ To improve its score to an effective level, the Department and its agencies must develop and implement an effective plan to mitigate security weaknesses identified in recommendations from prior years.

In addition, OIG has completed a report reviewing security over select USDA agency networks and systems.¹⁰ We reviewed: (1) relevant laws, regulations, and industry best practices in order to gain sufficient knowledge to evaluate USDA's IT security posture, and (2) each entity's responses to OIG's IT security survey and followup interviews. We found that the Department did not fully implement the Federally-mandated controls. Because this report contains sensitive content, it was not released to the public due to concerns about disclosing system vulnerabilities. In this report, we made three recommendations, all of which remain open.

▷ **Open Recommendation:** _____

The Department should develop privacy policies and procedures in accordance with the National Institute of Standards and Technology and Office of Management and Budget (OMB) A-130 requirements. In addition, OCIO and the Chief Privacy Officer should conduct a thorough gap analysis of existing USDA policy, procedures, and guidance, and publish an updated Privacy Act Compliance Departmental Directive to include current NIST and OMB Privacy Act-related guidance and requirements.

⁹ Audit Report 50501-0018-12, *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2018 Federal Information Security Modernization Act*, Oct. 2018.

¹⁰ Audit Report 50501-0017-12, *Security Over Select USDA Agencies' Networks and Systems*, Sept. 2018.

Anticipated Future Work

➤ **FY 2019 FISMA Audit**

As part of OIG’s annual review of the Department’s compliance with FISMA, we will evaluate USDA’s overall IT security program by evaluating USDA’s cybersecurity framework security functions.

➤ **Security Over Select USDA Agencies’ Networks and Systems—FY 2019**

The objective of this audit is to identify weaknesses within USDA’s or agencies’ networks and systems and the impact of those weaknesses.

Challenge 3:

USDA Needs to Strengthen Program Performance and Performance Measures

Challenge for the Department

Designing, developing, and implementing programs that reliably achieve their intended results has been a recurring challenge for the Department. OIG has found that agencies do not have adequate reviews or controls in place to supply the metrics necessary to evaluate program performance. As a result, some agencies are using inaccurate or unreliable data in program performance reports.

Background

Currently, USDA manages approximately 300 programs that provide a variety of services and financial assistance to the American public. This diverse portfolio of programs means that, for the Department to serve as a diligent steward of Federal funds, USDA must have well-designed programs with clear goals and performance measures.

The Government Performance and Results Modernization Act of 2010 set requirements for regular and recurring program performance assessment.¹¹ In keeping with the law, an agency should have controls in place that allow it to regularly review a program's performance and then compile reports that allow it to measure and report on that performance. These reports allow the Department to evaluate fairly its programs' successes and failures.

The Department's Progress

The Department has made progress in measuring the success of its programs through its continual development and improvement of outcome-based performance measures. One example of the Department's progress has been in its controls over the inspection of exported grain, which is administered by the Agricultural Marketing Service's (AMS) Federal Grain Inspection Service (FGIS). FGIS inspects and weighs grain and provides the shipper with certificates showing the official grade designation and certified weight. In a recent audit, we determined that while FGIS has adequate controls over export grain inspection and weighing, FGIS could strengthen program performance by improving its information technology. Specifically, we found that although FGIS developed an online system to improve its grain inspection program's efficiency and effectiveness, its applications continued to rely on manual processes to input, compute, extract, and share data. The reliance on manual processes resulted in program inefficiencies, reduced assurance of data accuracy

¹¹ Pub. L. No. 111-352, 124 Stat. 3866.

and reliability, and reduced traceability of inspection results throughout the inspection cycle.

We recommended that FGIS preserve the database used to extract data for reporting as well as the results of FGIS' data extraction procedures. Doing so would ensure that the information presented in its report to Congress is reliable and can be verified by tracing it back to its source. FGIS agreed and stated that it would create a preserved database used to extract data for the annual report to Congress. A preserved database will ensure that, no matter when the data are extracted, the results will be the same. As a result of our audit report, FGIS' first preserved database—for its 2018 Annual Report—was created on October 2018.¹²

► **Closed Recommendation:** _____

Preserve the database used to extract data for the report and the results of FGIS' data extraction procedures to ensure the information presented in the report is reliable and can be verified by tracing it back to its source.

What Remains to be Done

While the Department has made progress addressing this management challenge, OIG continues to identify the need for stronger program performance and performance measures at USDA. Unfortunately, some recommendations from previous years remain open. For example, in 2013, we found that the Foreign Agricultural Service (FAS) had not updated its country strategy statements to align with the goals and objectives contained in its strategic plan. Country strategy statements are a fundamental piece of FAS' international trade framework that provide important information used to help identify countries

¹² Audit Report 30601-0001-21, *Controls over Inspection of Exported Grain*, Dec. 2018.

with the largest potential for increasing trade, as well as specific barriers that interfere with trade in each country. Since the strategic plan is updated every 5 years, measurable goals within these country strategy statements would show the agency where it is meeting its objectives and where its efforts should be focused in future years to reach agency goals. To address this issue, FAS agreed to incorporate clear, outcome-based performance measures into its 2013 country strategy statements that align with the FAS agencywide goals.¹³ However, FAS has yet to implement this recommendation.

▷ **Open Recommendation:** _____

Incorporate clear, outcome-based performance measures into the 2013 country strategy statements that align with the FAS agencywide goals and objectives.

Anticipated Future Work

➤ **AMS Storage and Handling of Commodities for International Food Assistance Programs**

Our audit objective will be to evaluate AMS' oversight of the storage and handling of commodities for international food aid programs to ensure: (1) licensed operators apply consistent standards to maintain safe and sanitary storage conditions, and (2) adequate followup is conducted and AMS applies effective corrective actions when warehouse operators are noncompliant with requirements.

➤ **National Veterinary Stockpile Oversight**

Our audit objective will be to evaluate APHIS' oversight of the National Veterinary Stockpile to ensure that it is prepared to respond appropriately to animal diseases affecting human health and the economy.

¹³ Audit Report 50601-0001-22, *Effectiveness of FAS' Recent Efforts to Implement Measureable Strategies Aligned to the Department's Trade Promotion and Policy Goals*, Mar. 2013.

Challenge 4:

USDA Needs to Strengthen Controls over Improper Payments and Financial Management

Challenge for the Department

USDA continues to be noncompliant with Federal requirements for improper payments. Also, the Department needs to address internal control deficiencies to resolve ongoing problems with financial management and reporting.

Background

The Department's annual financial reports provide the public, Congress, and the President with information regarding the funds spent on public services every year. These reports account for USDA's costs and revenues, assets and liabilities, and other information. OIG reviews the Department's financial reports annually, as required by law, to verify accuracy and compliance with Federal rules regarding high-dollar overpayments and improper payments.¹⁴ Furthermore, on an annual basis, OIG either conducts or oversees audits of the financial statements for the Department and five component agencies to: (1) determine if the statements are presented fairly in accordance with generally accepted accounting principles, (2) review internal controls over financial reporting, and (3) test compliance with applicable laws and regulations.¹⁵

In addition to the annual financial reports, OIG conducts audits that focus on areas such as improved financial management and accountability, property management, and employee integrity.

The Department's Progress

The Department has been making progress towards fully complying with improper payment requirements as set forth by the Improper Payments Information Act of 2002, as amended.¹⁶ In its eighth year of reporting, USDA identified nine programs as susceptible to significant improper payments (high-risk) in FY 2018, which is one less than the year before. Additionally,

¹⁴ In general, an improper payment is any payment that should not have been made or that was made in an incorrect amount. An improper payment also includes any payment made to an ineligible recipient, a payment for ineligible goods or services, or a payment for goods or services not received. In addition, a payment is considered improper if it lacks sufficient documentation.

¹⁵ Five component agencies are required to have standalone financial statement audits: Rural Development, the Food and Nutrition Service (FNS), the Commodity Credit Corporation, NRCS, and the Federal Crop Insurance Corporation.

¹⁶ Pub. L. No. 107-300, 116 Stat. 2350, as amended.

five of USDA's nine high-risk programs were fully compliant in FY 2018, compared to three the year before. Finally, the Department substantially complied with four of the six improper payment requirements in FY 2018 compared to three the year before.

In addition, despite being noncompliant with improper payment requirements for an eighth consecutive year, USDA is making significant progress toward being fully compliant. For example, the Farm Service Agency's (FSA) Livestock Forage Disaster Program (LFP) was identified as one of the four noncompliant programs for FY 2018. However, FSA has already closed the recommendation regarding LFP, thus taking a substantial step toward making the program—and the Department—compliant.¹⁷

► **Closed Recommendation:** _____

In accordance with OMB guidance, within 90 days of the determination of noncompliance, FSA should submit a plan to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and OMB describing the actions that the agency will take to make LFP compliant.

What Remains to be Done

While the Department has made progress addressing this management challenge, some recommendations from previous years unfortunately remain open. For example, in our 2017 annual review of USDA's internal controls over financial reporting, we found three significant deficiencies,¹⁸

¹⁷ Audit Report 50024-0014-11, *USDA's Fiscal Year 2018 Compliance with Improper Payment Requirements*, May 2019.

¹⁸ A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

two of which are material weaknesses.¹⁹ Specifically, two of USDA's component agencies, NRCS and the Commodity Credit Corporation, need to make further improvements to their overall financial management. Also, USDA needs to improve its IT security and controls, as many longstanding weaknesses remain. Moreover, USDA needs to improve its controls over financial reporting, as our review again disclosed a significant deficiency related to obligations.²⁰

▷ **Open Recommendation:** _____

Provide additional oversight to ensure that financial reporting controls over unliquidated obligations are strengthened and maintained.

Anticipated Future Work

➤ **USDA's FY 2019 Compliance with Improper Payment Requirements**

As mandated by Congress, OIG will review USDA's FY 2019 Agency Financial Report and accompanying information to determine whether the Department is compliant with the improper payment requirements.

➤ **Agency Financial Statements for FYs 2019 and 2018**

As mandated by Congress, OIG will complete annual reviews of the financial statements for FYs 2019 and 2018 for USDA and component agencies to express opinions about fair presentation of those statements, identify significant deficiencies or material weaknesses, and report on the Department's compliance with the Federal Financial Management Improvement Act.

¹⁹ A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, detected, or corrected timely.

²⁰ Audit Report 50401-0013-11, *Department of Agriculture's Consolidated Balance Sheet for Fiscal Year 2017*, Nov. 2017.

Challenge 5:

USDA Needs to Improve Outreach Efforts

Challenge for the Department

The Secretary of Agriculture has stressed the importance of civil rights and equitable treatment in the Department's outreach efforts, stating in the 2018 USDA Civil Rights Policy Statement: "The hallmark of my tenure as Secretary of [USDA] is to do right and feed everyone, and I don't intend for that to be just a hollow creed. This pledge is at the heart of our work, which includes our commitment to protecting the civil rights of all USDA employees and customers." Now more than ever, in a time of heightened sensitivity and cultural awareness of discrimination and sexual misconduct, USDA needs to make efforts to reach out to—and ensure equal treatment of—minorities, women, and veterans as well as new and beginning farmers and ranchers. Due to a history of public attention concerning how USDA has treated members of socially-disadvantaged

groups—including both USDA employees and program recipients—the Department faces challenges in earning those groups' trust.

Background

USDA needs to make efforts to ensure its programs are equally accessible to all and its agencies and offices treat employees fairly and ethically. First, the Food, Conservation, and Energy Act of 2008²¹ directed that all pending claims and class actions brought against USDA by socially-disadvantaged farmers or ranchers, including Hispanics and women, based on racial, ethnic, or gender discrimination in farm program participation, be resolved in an expeditious and just manner.²² OIG has conducted reviews designed to ensure the integrity of this process.²³

Second, in light of allegations of sexual harassment and misconduct within the Forest Service (FS) and in response to Congressional requests, in 2014 OIG began a series of reviews concerning the FS work environment and its handling of sexual harassment complaints, which has resulted in two audit reports and a survey in FS Region 5 regarding sexual harassment.²⁴

Additionally, our Office of Investigations continues to dedicate resources to make sure that complaints of any nature are logged timely into our complaint tracking system, reviewed, and addressed based upon their respective merits. Moreover,

²¹ Pub. L. No. 110–234, 122 Stat. 1651, as amended.

²² For example, *Pigford v. Perdue*, No. 97-1978 (D.D.C.), *In re Black Farmers Discrimination Litigation*, Misc. No. 08-511 (D.D.C.), *Garcia v. Vilsack*, No. 00-2445 (D.D.C.), *Keepseagle v. Vilsack*, No. 99-3119 (D.D.C.), and *Love v. Vilsack*, No. 00-2502 (D.D.C.).

²³ For example, Audit Report 50601-0003-21, *In re Black Farmers Discrimination Litigation*, Sept. 2015. Audit Report 50601-0002-21, *Hispanic and Women Farmers and Ranchers Claims Resolution Process*, Mar. 2016;

²⁴ Audit Report 08601-0008-41(1), *Forest Service Initiatives to Address Workplace Misconduct—Interim Report*, Mar. 2018; Audit Report 08601-0008-41, *Forest Service Initiatives to Address Workplace Misconduct*, Feb. 2019; and Report 17-028, *Survey of the Forest Service Region 5 Regarding Sexual Harassment*, Jan. 2018.

the Office of Investigations recently established the Sensitive Investigations Office to address specified categories of alleged senior management misconduct, Office of Special Counsel referrals, and statutorily mandated reprisal investigations.

On November 15, 2018, the Inspector General (IG) testified before the House Committee on Oversight and Government Reform to discuss these topics. At this hearing, OIG agreed to research work done by the oversight community (including the IG community and GAO) to identify standards, guidance, and best practices to address similar issues of sexual harassment and misconduct. OIG provided FS leadership with the results of this research to assist FS in its continued efforts to address workplace concerns and improve its work environment.²⁵

The Department's Progress

FS has taken measures to improve its process for investigating sexual harassment and sexual misconduct complaints. Our March 2018 interim report found that, while FS has taken steps to improve how it handles sexual harassment and misconduct complaints, FS primarily used its own internal investigators to perform these investigations. Based on our recommendations, FS conducted a trial period for using contract investigators and investigators from other agencies to investigate complaints of sexual harassment and sexual misconduct. To date, FS has closed three of the four recommendations.²⁶

²⁵ OIG, *Assessment of the State of Oversight Work in the Area of Sexual Harassment and Misconduct in the Federal Government*, July 2019.

²⁶ Audit Report 08601-0008-41(1), *Forest Service Initiatives to Address Workplace Misconduct—Interim Report*, Mar. 2018.

► **Closed Recommendation:** _____

For a trial period of at least 1 year, require that FS only use contract investigators or investigators from other Federal agencies to investigate complaints of sexual harassment and sexual misconduct. To avoid the potential for conflicts of interest or bias towards FS, exclude those contract investigators or investigators from other Federal agencies that were former FS employees.

What Remains to be Done

OIG's most recent report on FS sexual misconduct identified that FS hiring officials promoted employees with undisclosed prior histories of sexual harassment and misconduct. Additionally, in most instances of substantiated sexual harassment and misconduct, FS chose to take less than the recommended corrective action. While this course of action is technically permitted, FS did not provide justification for the degree of action taken.

Considering the gravity of these longstanding complaints, FS needs to ensure its actions hold individuals accountable and deter future sexual misconduct and harassment. We recommended that FS provide training and guidance for reference checks and ask specific questions concerning applicants' prior histories. We also recommended that FS establish internal guidelines for documenting the justification when deviating from the recommended penalty. While FS has agreed to take corrective action in light of our findings, seven of the eight recommendations remain open.²⁷

²⁷ Audit Report 08601-0008-41, *Forest Service Initiatives to Address Workplace Misconduct*, Feb. 2019.

▷ **Open Recommendation:** _____

Establish guidelines for hiring officials to contact human resources management to determine whether current or former employees (including seasonal employees) applying for positions within FS have prior histories of serious misconduct and the nature of the misconduct.

Finally, it is important that USDA bolster its outreach efforts to ensure its programs—such as various nutrition assistance programs—reach their intended recipients. USDA has provided significant financial resources to provide nutritious meals for children in low-income areas when school is not in session through the Summer Food Service Program (SFSP). In the past 2 years, OIG has undertaken a series of audits to determine if State agencies had adequate controls to assess SFSP sponsor eligibility and monitor sponsor compliance with program requirements. Our work in New York found that one sponsor did not include a nondiscrimination notice in its promotional materials, as required, and did not collect ethnic and racial data on children receiving meals at its location. Without these measures, the Food and Nutrition Service (FNS) cannot identify areas where additional outreach may be needed, and there is an increased risk that the program may not reach all potential eligible children. FNS still needs to take steps to address each of the 18 recommendations from this report.²⁸

▷ **Open Recommendation:** _____

Direct the State agency to monitor the identified sponsor to ensure that required ethnic and racial data is collected.

²⁸ Audit Report 27004-0001-23, *New York's Controls Over Summer Food Service Program*, Sept. 2018.

Anticipated Future Work

- **AMS Oversight of the Farmers Market and Local Food Promotion Program**

One of our objectives will be to determine whether the AMS Farmers Market and Local Food Promotion Program's outreach activities are effective.

- **Cooperative Interstate Shipment Program**

Our objective will be to evaluate FSIS' compliance with the Cooperative Interstate Shipment Program requirements for the interstate shipment of certain State-inspected meat and poultry products. As part of this review, we will also look at whether FSIS was sufficiently coordinating with other USDA agencies to provide potential participants with information about the Cooperative Interstate Shipment Program, as required by the 2008 Farm Bill and recommended by GAO.

Challenge 6:

Food Safety Inspections Need Improved Controls

Challenge for the Department

FSIS is responsible for protecting the public health by ensuring the safety of the Nation's commercial supply of meat, poultry, and processed egg products. FSIS is tasked with reducing contamination and limiting illnesses through the regulation of agricultural food products. OIG has found that the agency continues to face challenges, including gathering reliable data to help ensure safety verification tasks are completed, effective, and consistent.

Background

In order to verify that the Nation's commercial supply of meat, poultry, and egg products is safe and wholesome, and correctly handled, processed, labeled, and packaged, FSIS employs thousands of inspection personnel stationed at more than 7,600 Federally-inspected establishments. Slaughter and processing facilities are responsible for implementing FSIS' directives for controlling hazards in food production. To assess the overall effectiveness of the establishments' food safety systems, inspectors verify whether an establishment is meeting its regulatory requirements and has addressed the relevant food safety hazards for its processes, products, and intended uses.

FSIS also regulates food ingredients to ensure safety. For example, the Federal Meat Inspection, Poultry Products Inspection, and Egg Products Inspection Acts authorize FSIS to regulate food ingredients used in the production of meat, poultry, and egg products.²⁹ According to these Acts, any meat, poultry, or egg product intended for human consumption must have proper labeling declaring major allergens in any amount, even trace amounts. FSIS has implemented a number of actions to alert and protect the American public by ensuring the proper identification and labeling of allergens in meat, poultry, and egg products. Proper identification and labeling of potential allergens in food products is critical to FSIS' ability to protect vulnerable populations with food allergies and sensitivities.

The Department's Progress

USDA has made progress in improving controls over its food safety inspections when OIG has identified deficiencies. For example, in a 2017 audit regarding FSIS' controls over the critical responsibility of properly identifying ingredients that are classified as allergens in the ingredient list on food labels,

²⁹ Federal Meat Inspection Act, 21 U.S.C. §§ 601-695; Poultry Products Inspection Act, 21 U.S.C. §§ 451-472; and Egg Products Inspection Act, 21 U.S.C. §§ 1031-1056.

we found: (1) inconsistencies between FSIS' directive and the instructions within the Public Health Information System (PHIS)³⁰ and (2) inadequate training from the agency to help inspectors understand the new requirements. Unless inspectors performed these required tasks, FSIS would not have assurance that plants were labeling products correctly. In order to mitigate this issue, FSIS needed to improve how it verified the accurate disclosure of potential allergens on the labels of meat, poultry, and egg products. Specifically, all additives used in producing meat, poultry, and egg products and intended for human consumption must have proper labeling to declare the inclusion of any of the eight major ("Big 8") allergens defined by the Federal Food, Drug, and Cosmetic Act.³¹ In this report, OIG made a total of 12 recommendations, all of which are closed.³²

► **Closed Recommendation:** _____

Determine which additional directives and notices provide instructions regarding allergens to FSIS inspectors. Review and update the material as necessary to ensure consistency among the documents and consider stating that allergen verification is a priority 3 task.

[PHIS ranks tasks by priority, from 1 to 6, with 1 as the highest priority and 6 as the lowest.]

What Remains to be Done

While the Department has made progress addressing this management challenge, OIG continues to identify the need for improved USDA food safety controls. For example, OIG recently

³⁰ PHIS is a comprehensive, data-driven inspection system used by FSIS in-plant inspectors to record the results of their inspection activities.

³¹ The "Big 8" allergens defined by the Federal Food, Drug, and Cosmetic Act (21 U.S.C., §§ 301–399h) are: milk, eggs, fish, crustacean shellfish, wheat, soybeans, peanuts, and tree nuts.

³² Audit Report 24601-0005-31, *Food Safety and Inspection Service's Controls Over Declaring Allergens on Product Labels*, June 2017.

audited FSIS' recall verification reviews of meat and poultry establishments to determine the sufficiency of the written recall procedures governing product recalls. When there is reason to believe adulterated or misbranded product is in commerce, FSIS coordinates with the product's company to ensure that the product has been identified properly and removed from commerce.

Federal regulation states that each establishment must prepare and maintain written procedures for the recall of any meat, food, or poultry product it produces and ships. Further, the regulation states that these written procedures must specify how the establishment will decide whether to, and how it will, conduct a product recall. In addition, FSIS guidance states that inspectors are to verify that establishments have written recall procedures and to document such results in PHIS.

While OIG found that FSIS' verification controls were sufficient to assess whether the establishments' written recall procedures specified how the establishment will decide to conduct a recall and how the recall will occur, we determined its oversight controls can be strengthened. Specifically, we found that inspectors verified only 38 percent of the 5,451 establishments required to have written recall procedures for calendar year 2017. This occurred because FSIS lacked adequate management oversight to ensure inspectors' compliance with verification requirements and that inspectors' results were recorded in PHIS.³³

▷ **Open Recommendation:** _____

Revise current guidance that prescribes a time frame inspectors would be required to perform the written recall procedure task and document its results in PHIS. Once revised, FSIS should periodically monitor completion of the task to ensure recall plans are maintained and in place.

³³ Audit Report 24601-0003-22, *FSIS' Compliance with Requirements for Written Recall Procedures*, Mar. 2019.

Anticipated Future Work

➤ Controls Over Imported Meat and Poultry

In this review, OIG will evaluate FSIS' controls to ensure the safety of imported meat and poultry. Specifically, we will evaluate re-inspections performed at U.S. ports of entry and the effectiveness of the PHIS import module.

➤ Controls Over Meat, Poultry, and Egg Product Labels

OIG will evaluate FSIS' controls over meat, poultry, and egg product labels to ensure establishments' claims that FSIS approves are accurate and represent truth in labeling.

Challenge 7:

FNS Needs to Strengthen SNAP Management Controls

Challenge for the Department

Although FNS has endeavored to improve management controls for the Supplemental Nutrition Assistance Program (SNAP), weaknesses continue to exist in controls over benefit distribution and quality control (QC) processes. The potential exists for taxpayer-funded assistance not to be delivered or used as intended.

Background

As the largest benefit program within USDA and one of the largest in the Federal Government, SNAP presents a unique challenge for the program's managers. For example, according to FNS, in May 2019, more than 35.9 million people received \$4.3 billion in SNAP benefits.

Given SNAP's size and importance, fraud, waste, and abuse are critical concerns. OIG's audit work focuses on improving the efficiency of program administration and maintaining the integrity of Federal funds. Further, USDA loses hundreds of millions of dollars every year to fraud and crime associated with SNAP and other FNS food assistance programs. OIG devotes significant investigative resources to recover that money and pursue the prosecution of criminals engaged in SNAP fraud. In the first half of FY 2019, OIG's investigative efforts related to SNAP resulted in 175 indictments, 249 convictions, and 220 arrests, with a total dollar impact of \$73.8 million.³⁴

The Department's Progress

USDA has made progress in strengthening SNAP management controls when OIG has identified deficiencies. One example of the Department's progress relates to improved oversight over State financial management regarding SNAP operations. In FY 2018, OIG assessed selected aspects of Massachusetts' administration of SNAP to evaluate whether the State was complying with the requirements of Title 7 CFR, Part 274, *Issuance and Use of Program Benefits*. The assessment found that Massachusetts did not properly maintain exempt retailer agreements and thus was noncompliant.

The audit noted noncompliance with 16 of 36 selected exempt retailer agreements. Specifically, 15 of these agreements did not contain the minimum required content, and 1 agreement was not available for our review within the requested time

³⁴ Convictions include pre-trial diversions.

frame. The audit recommended that FNS require the Massachusetts Department of Transitional Assistance (MA DTA) to maintain exempt retailer agreements such that agreements are obtainable within a reasonable time for inspection, audit, investigation, judicial proceedings, or other authorized purposes. FNS concurred with the recommendation and stated that, effective April 1, 2018, MA DTA implemented a policy for the electronic benefits transfer (EBT) contractor to scan all complete exempt retailer agreements and related documentation, which will be available within 5 business days of the date requested.³⁵

► **Closed Recommendation:** _____

Require MA DTA to maintain exempt retailer agreements such that agreements are obtainable within a reasonable time for inspection, audit, investigation, judicial proceedings, or other authorized purposes

Another example of the Department's progress in strengthening SNAP management controls is demonstrated by OIG's investigative work in prosecuting False Claims Act violations related to SNAP.³⁶ In response to an allegation, OIG partnered with the U.S. Attorney's Office for the Eastern District of Washington and the Department of Justice's Civil Division, the Commercial Litigation Branch, to investigate a consultant and her company for providing advice and recommendations that improperly biased the SNAP QC processes of the States with which the consultant worked—in violation of USDA rules. Specifically, the United States alleged that between 2008 and 2013, pursuant to the consultant's recommendations and advice, certain States manipulated and biased the QC process to reduce their error rate falsely, resulting in the States receiving bonuses to which they were not entitled based on the false and biased

³⁵ Audit Report 27601-0018-10, *Massachusetts' Compliance with Requirements for the Issuance and Use of Supplemental Nutrition Assistance Program Benefits (7 CFR, Part 274)*, June 2018.

³⁶ 31 U.S.C. §§ 3721 3733.

quality control information. The consultant and her company agreed to pay the United States \$751,571 to resolve allegations that they violated the False Claims Act by causing States to submit false QC data for SNAP. Thus far, the United States has reached settlements with three of the States at issue—Virginia, Wisconsin, and Alaska—resulting in total recoveries exceeding \$17 million. The settlements with the contractor and the various States to date demonstrate the collective effort of multiple Federal entities to ensure that FNS’ management controls protect the operations of SNAP and the integrity of its mission.

What Remains to be Done

While the Department has made progress addressing this management challenge, OIG continues to identify the need for stronger SNAP management controls. OIG’s audit work focuses on improving the efficiency of SNAP administration at the Federal and State levels. Although FNS has made progress in improving SNAP, some recommendations remain open. For example, as reported in last year’s management challenges, we found weaknesses in FNS’ QC processes. In 2015, OIG found that States weakened the QC process by using third-party consultants and error review committees to mitigate QC-identified errors instead of reporting them. As a result, States reported inaccurate QC rates. Since FNS’ current two-tier process is vulnerable to State abuses due to conflicting interests between accurately reporting true error rates and incurring penalties, or mitigating errors and receiving a bonus for exceeding standards, OIG recommended that FNS consider switching to a one-tier system in which only FNS or an unaffiliated third party reviews QC cases for errors. Such a system would help ensure that State and national QC error rates are more accurate.³⁷

³⁷ Audit Report 27601-0002-41, *FNS Quality Control Process for SNAP Error Rates*, Sept. 2015.

▷ **Open Recommendation:** _____

Perform an analysis of the cost/benefit of changing the QC process from a two-tier process that relies on the States to make error determinations to a one-tier process where only FNS or an unaffiliated contracted third-party reviews cases for errors. If determined cost beneficial, establish a timeline for implementing the change.

Anticipated Future Work

➤ **Review of FNS' Nutrition Assistance Program Providing Disaster Funding to Puerto Rico as a Result of Hurricanes Irma and Maria**

Our audit objective will be to evaluate FNS' and the Puerto Rico Department of the Family's internal controls over the delivery of Nutrition Assistance Program disaster funding received as a result of Hurricanes Irma and Maria.

➤ **SNAP Employment and Training Pilot Projects**

Our audit objective will be to evaluate FNS controls over States' SNAP Employment and Training pilot projects ensuring activities, funds, and performance are monitored properly.

Appendix A: Reports Referenced in this Report

REPORT NUMBER	AUDIT TITLE	PUBLICATION DATE	PAGE REFERENCED
AMS			
30601-0001-21	<i>Controls over Inspection of Exported Grain</i>	December 2018	p. 11–12
FAS			
50601-0001-22	<i>Effectiveness of FAS' Recent Efforts to Implement Measureable Strategies Aligned to the Department's Trade Promotion and Policy Goals</i>	March 2013	p. 12 –13
FS			
08601-0008-41(1)	<i>FS Initiatives to Address Workplace Misconduct—Interim Report</i>	March 2018	p. 20-21
08601-0008-41	<i>Forest Service Initiatives to Address Workplace Misconduct</i>	February 2019	p. 21-22
17-028	<i>Survey of the Forest Service Region 5 Regarding Sexual Harassment</i>	January 2019	p. 19

FNS			
27004-0001-23	<i>New York's Controls Over Summer Food Service Program</i>	September 2018	p. 22
27601-0018-10	<i>Massachusetts' Compliance with Requirements for the Issuance and Use of SNAP Benefits (7 CFR, Part 274)</i>	June 2018	p. 30–31
27601-0002-41	<i>FNS QC Process for SNAP Error Rates</i>	September 2015	p. 32–33
FSIS			
24601-0005-31	<i>FSIS' Controls Over Declaring Allergens on Product Labels</i>	June 2017	p. 25–26
24601-0003-22	<i>FSIS' Compliance with Requirements for Written Recall Procedures</i>	March 2019	p. 27
USDA			
61701-0001-21	<i>Agroterrorism Prevention, Detection, and Response</i>	March 2017	p. 2–3
50701-0001-21	<i>USDA Agency Activities for Agroterrorism Prevention, Detection, and Response</i>	September 2018	p. 3
50501-0018-12	<i>USDA, OCIO, FY 2018 FISMA</i>	October 2018	p. 7–8
50501-0012-12	<i>USDA, OCIO, FY 2016 FISMA</i>	November 2016	p. 7–8

50501-0017-12	<i>Security Over Select USDA Agencies' Networks and Systems</i>	September 2018	p. 8
50401-0013-11	<i>USDA's Consolidated Balance Sheet for FY 2017</i>	November 2017	p. 16–17
50024-0014-11	<i>USDA's FY 2018 Compliance with Improper Payment Requirements</i>	May 2019	p. 15–16

Appendix B: Abbreviations and Acronyms

AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
CDM	Continuous Diagnostic Monitoring
CFR	Code of Federal Regulations
EBT	electronic benefits transfer
EQIP	Environmental Quality Incentive Program
FAS	Foreign Agricultural Service
FGIS	Federal Grain Inspection Service
FISMA	Federal Information Security Modernization Act of 2014
FNS	Food and Nutrition Service
FS	Forest Service
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
FY	fiscal year
GAO	Government Accountability Office

IG	Inspector General
IT	information technology
LFP	Livestock Forage Disaster Program
MA DTA	Massachusetts Department of Transitional Assistance
NRCS	Natural Resources Conservation Service
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OHSEC	Office of Homeland Security and Emergency Coordination
OIG	Office of Inspector General
OMB	Office of Management and Budget
PHIS	Public Health Information System
QC	quality control
SFSP	Summer Food Service Program
SNAP	Supplemental Nutrition Assistance Program
USDA	U.S. Department of Agriculture

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