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OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

First Half

October 1, 2014-March 31, 2015



Fiscal Year 2015

No. 73

May 2015

KEY OIG ACCOMPLISHMENTS IN THIS REPORTING PERIOD—October 2014-March 2015

SUMMARY OF AUDIT ACTIVITIES

Reports Issued	
Number of Final Reports	14
Number of Interim Reports	0
Number of Final Report Recommendations (47 program improvements/13 monetary)	60
Number of Interim Report Recommendations (0 program improvement/0 monetary)	0
Total Dollar Impact of Reports at Issuance (Millions)	\$39
Questioned/Unsupported Costs	\$38.6
Funds To Be Put To Better Use	\$0.4
Management Decisions Reached	
Number of Final Reports	18
Number of Interim Reports	1
Number of Final Report Recommendations* (159 program improvements/44 monetary)	203
Number of Interim Report Recommendations (1 program improvements/1 monetary)	2

SUMMARY OF INVESTIGATIVE ACTIVITIES

Reports Issued	147
Impact of Investigations	
Indictments	278
Convictions	389
Arrests	202
Total Dollar Impact (Millions)	\$256.1
Administrative Sanctions	310

OIG MAJOR USDA MANAGEMENT CHALLENGES (August 2014)

- (1) Interagency Communication, Coordination, and Program Integration Need Improvement
No work reported during this period.
- (2) USDA Needs to Create Strong, Integrated Internal Control Systems Across Programs
Related material can be found on pages 1, 6, 14-16.
- (3) Information Technology Security Needs Continuing Improvement
No work reported during this period.
- (4) Departmental Outreach Efforts Need to be More Transparent
Related material can be found on page 6.
- (5) A Proactive, Integrated Strategy Is Necessary to Increase Agricultural Commerce and Trade
No work reported during this period.
- (6) Action Needed to Improve Natural Resources Stewardship
No work reported during this period.
- (7) Food Safety Inspection Systems Need Improved Controls
No work reported during this period.
- (8) Identifying, Reporting, and Reducing Improper Payments Can Strengthen USDA Programs
No work reported during this period.
- (9) USDA Needs to Increase Efforts for Appropriately Training and Preparing Human Resources
No work reported during this period.
- (10) FNS Needs to Strengthen SNAP Management Controls
No work reported during this period.
- (11) USDA Needs to Develop Effective Performance Measures for its Programs*
No work reported during this period.

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

Message from the Inspector General

This Semiannual Report to Congress (SARC) covers the 6-month period ending March 31, 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 and investigate those who allegedly abuse them.

Among our recent accomplishments, we have conducted successful investigations leading to 202 arrests, 389 convictions, and \$256.1 million in recoveries and restitutions. Our audits have resulted in 47 recommendations for program improvements and \$39 million in financial recommendations. 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, demonstrate OIG's ongoing commitment to curtailing fraud, waste, and abuse in USDA programs.

Goal 1—Safety, Security, and Public Health—An OIG investigation into the theft of truckloads of apparel, beer, appliances, and frozen meat in Missouri revealed a large-scale conspiracy involving the theft of nearly \$1 million worth of trucks, trailers, and cargo. The thefts posed hazards to public safety both because the stolen meat could become unsafe to consume if not kept at proper temperatures and the trucks and trailers could become unsafe if not properly maintained. The conspiracy's ringleader was sentenced to 21 years and 8 months of incarceration and was ordered to pay approximately \$1.3 million in restitution, jointly and severally, with codefendants.

OIG also identified several shortcomings with the Animal and Plant Health Inspection Service's (APHIS) monitoring of experimental procedures on animals. OIG made several recommendations to increase APHIS' assurance that protocols are properly adhered to and that animals are always receiving basic humane care.

Goal 2—Integrity of Benefits—As part of OIG's goal to ensure that benefits reach those for whom they are intended, we conducted a variety of audits and investigations designed to confirm that recipients are eligible and that payments are calculated properly. Our review of how the Office of Advocacy and Outreach (OAO) administered grant funding for each of FYs 2010 and 2011 for its Section 2501 Program found a pattern of mismanagement of OAO grant funds in both years. OAO's improper funding of grants resulted in a potential Anti-Deficiency Act violation totaling over \$20 million. OAO also approved 118 grants totaling over \$38 million to applicants who may not have been the most meritorious.

In December 2014, an OIG investigation led to the conviction of two North Dakota brothers for defrauding the Federal Crop Insurance and Federal Crop Disaster Programs. In order to collect Federal crop insurance indemnities and Federal crop disaster benefits, the brothers perpetrated a scheme to ruin their potato crops. The brothers were sentenced to a total of 66 months' incarceration and ordered to forfeit \$932,776.

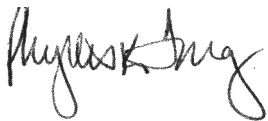
A significant portion of OIG's investigative resources is dedicated to supporting the integrity of the Supplemental Nutrition Assistance Program (SNAP). During the first half of FY 2015, OIG's efforts led to more than 264 convictions for SNAP fraud, including a case in which 5 individuals were sentenced in Gary, Indiana, to prison terms ranging from 15 to 33 months and ordered to pay over \$1.5 million in restitution.

Goal 3—Oversight to Achieve Results-Oriented Performance—While OIG continues to perform reviews intended to help advance the security of USDA's information technology (IT) infrastructure, many weaknesses remain. OIG has noted, for example, that the Office of the Chief Information Officer (OCIO) is taking positive steps to improve its security posture. However, the next and most critical steps involve actions by USDA agencies and staff offices. Again this year, OIG reported material weaknesses in USDA's IT security. The Department has not (1) developed policies, procedures, or strategies for risk management in accordance with Federal guidance; (2) monitored agencies for compliance with baseline configurations and ensured known vulnerabilities were fixed;

(3) deleted separated employees' access to computer systems; and (4) developed and implemented a policy to detect and remove unauthorized network connections. With its recommendations, OIG aims to support the improvement of USDA's IT infrastructure and improve the Department's resistance to cyberattacks designed to disrupt USDA's ability to serve the American people.

Our review of the various oversight and program compliance activities within the Forest Service (FS) found that the agency can better integrate and coordinate its effort to build a more effective program compliance structure where oversight efforts translate consistently into program gains. For example, we found that FS regional offices and research stations did not always provide formal review reports to the Washington office officials who effect policy changes. Without the review results, management officials could not conduct analyses, such as trending, to determine if policy changes were needed for their programs or if issues were systemic. Since an agency's management control systems are designed to provide assurance that the agency is fulfilling its mission, objectives, and statutory responsibilities, problems with internal control increase the likelihood that FS may not achieve its objective of sustaining the health, diversity, and productivity of the Nation's forests and grasslands.

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 also is due, in large part, to the continued support of USDA Secretary Thomas J. Vilsack and Deputy Secretary Krysta Harden, as well as interested Committees and Members of the Congress.

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

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Safety, Security, and Public Health

OIG Strategic Goal 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

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

In the first half of FY 2015, we devoted 13.8 percent of our total direct resources to Goal 1, with 99.3 percent of these resources under Goal 1 assigned to critical-risk and high-impact work. A total of 71.4 percent of our investigative cases under Goal 1 resulted in criminal, civil, or administrative action. OIG's investigations under Goal 1 yielded 16 indictments, 11 convictions, and approximately \$3.6 million in monetary results during this reporting period. OIG issued one audit report under Goal 1 during this reporting period. We also have significant ongoing work related to food safety (see page 5 for a list of ongoing reviews).

Management Challenges Addressed Under Goal 1

- USDA Needs to Create Strong, Integrated Internal Control Systems Across Programs (Challenge 2)
 - Information Technology Security Needs Continuing Improvement (Challenge 3)
-

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 1

APHIS Needs to Improve How It Monitors Animals Used for Experimentation at Research Facilities¹

Since FY 2001, to fulfill the annual inspection requirement under the Animal Welfare Act (AWA), APHIS' Animal Care (AC) unit conducted at least 500 inspections at 107 research facilities that had not used, handled, or transported any regulated animals for more than 2 years. As a result, AC did not make the best use of its limited resources, which could have been assigned to inspect other more problematic facilities, including breeders, dealers, and exhibitors. We also found that APHIS' Investigative and Enforcement Services (IES) worked with AC and other APHIS programs to reduce a 2,000-case agency-wide backlog. However, AC did not follow its own criteria in closing at least 59 cases that involved grave or repeat welfare violations. In addition, IES issued penalties that were reduced by an average of 86 percent from the AWA authorized maximum penalty of \$10,000 per violation. We also found that

¹ This audit report is not related to our on-going audit of Agricultural Research Service's (ARS) oversight of the research practices and operations of the Meat Animal Research Center. See On-Going Reviews, Goal 1.

IES under-assessed penalties by \$33,001 in four cases we reviewed by granting "good faith" reductions where we believed such reductions were without merit, or by using a smaller number of violations than the actual number, as determined by OIG. Finally, some of APHIS' veterinary medical officers and some Institutional Animal Care and Use Committees—the oversight committees at research facilities responsible for ensuring compliance with AWA—were not always adequately monitoring experimental procedures on animals. As a result, AC has reduced assurance that protocols are properly completed, approved, and followed and that animals are always receiving basic humane care and treatment (Audit Report 33601-0001-41, *Animal and Plant Health Inspection Service Oversight of Research Facilities*). APHIS concurred with all of our recommendations.

Ringleader of Conspiracy to Steal Trucks and Cargo Sentenced to Over 21 Years in Prison and Ordered to Pay \$1.3 Million in Restitution

In December 2014, in U.S. District Court, Western District of Missouri, the ringleader of a large-scale conspiracy involving the theft of nearly \$1 million worth of trucks, trailers, and cargo was sentenced to 21 years and 8 months of incarceration and was ordered to pay approximately \$1.3 million in restitution, jointly and severally with several co-defendants. In addition, OIG's investigation to

identify individuals responsible for the theft of truckloads of frozen meat, apparel, beer, and appliances resulted in two other co-conspirators—a father and son—being sentenced in Federal court in Missouri in March 2015. The father was sentenced to 15 years and 8 months in Federal prison without parole. The son was sentenced to 9 years and 2 months without parole. The court also ordered them to pay nearly \$1 million in restitution and a forfeiture money judgment of \$1.3 million. We found that the use of worn-out vehicles with equipment, such as brakes, that had not been properly maintained put the public’s safety at considerable risk. As a result of this investigation, other individuals have previously been found guilty or pled guilty to charges including possession of stolen goods in interstate commerce; conspiracy in causing the receipt, possession, and sale of stolen meat products transported in interstate commerce; and aiding and abetting. Other organizations involved in this investigation included the Federal Bureau of Investigation (FBI); the Kansas City, Missouri, Police Department; the Missouri State Highway Patrol; the National Insurance Crime Bureau; and the U.S. Department of Transportation.

Iowa Businessman Convicted of Sale or Receipt of Stolen Precooked Bacon

An investigation into the disappearance of approximately \$220,000 worth of precooked bacon led to a nationwide multi-agency effort focused on recovering the product and bringing the subjects to justice. The investigation determined the bacon, which was produced in Iowa and shipped to California, was subsequently stolen in California and then returned to Iowa for sale and distribution. The transportation of this stolen meat posed a potential threat to the safety of the food supply, since once food products are taken outside regulated commercial supply chains, there is no way to guarantee that the food has been kept at the proper temperature, stored in a pest-free environment, or has not been otherwise adulterated. In December 2014, a jury in U.S. District Court, Southern District of Iowa, found the Iowa businessperson guilty on one count of the sale or receipt of stolen goods. The Iowa businessperson was sentenced in March 2015 to 48 months of probation and was ordered to pay \$42,000 in restitution. This investigation was worked in conjunction with the Altoona, Iowa Police Department; the Fontana, California Police Department; the Riverside, California Police Department; USDA’s Food Safety and Inspection Service (FSIS); and the California Highway Patrol, Cargo Theft Interdiction Program.

Two Co-conspirators Sentenced in Case Involving Fraudulent Timber Sales and Falsified APHIS Documents

As we previously reported in the *Semiannual Report to Congress, First Half of FY 2014*, a salesman representing numerous lumber companies engaged in fraudulent transactions totaling more than \$1 million with international customers in Poland, Vietnam, Egypt, and China, as well as with U.S. companies. The salesman transmitted fraudulent phytosanitary certificates with the forged signature of an APHIS inspector in order to gain the confidence of his potential foreign customers and induce them to wire funds to him. At times, he sent uninspected wood products to his foreign victims, and sometimes he sent no products at all. Our investigation also revealed that the salesman was a fugitive from justice being sought in five States from Florida to Colorado on a total of eight open warrants. In October 2012, the timber salesman and his fiancée were arrested and charged with conspiracy to commit wire fraud, and wire fraud. Two other co-conspirators, one of whom was the salesman’s estranged wife, were arrested later. All were charged in U.S. District Court, Southern District of New York, with conspiracy to commit wire fraud, and wire fraud, and the salesman was also charged with aggravated identity theft. As we reported before, the salesman was sentenced in 2014 to 116 months imprisonment followed by 36 months’ supervised release and was ordered to pay \$999,989 in restitution. The salesman’s fiancée entered into a deferred prosecution agreement with the Government. In recent developments, the salesman’s estranged wife was sentenced to 36 months’ probation including 8 months of home confinement, and the fourth co-conspirator was sentenced in December 2014 to 36 months’ supervised release. These last two individuals sentenced were also ordered to pay restitution totaling approximately \$406,000.

Three Men, Acting Through a Corporation, Fraudulently Transported White-tailed Deer to Mississippi after Making False Statements on APHIS Certificates

In October 2014, in U.S. District Court, Southern District of Mississippi, three men and a corporation were sentenced for their roles in a scheme to illegally transport white-tailed deer from Pennsylvania to Mississippi in part by falsifying APHIS certificates. Our joint investigation with the FBI revealed that, from 2009 through 2012, the three men, acting through the corporation, purchased multiple white-tailed deer from a Pennsylvania breeder and falsely certified on veterinarian inspection forms that the deer would be delivered to a high-fenced property in Louisiana, which at the time was permitted under Louisiana law. Instead, they delivered the deer to a high-fenced enclosed property

in Mississippi, which is prohibited under Mississippi law. Importing live white-tailed deer can introduce chronic wasting disease into the native deer herds and bovine tuberculosis and brucellosis into livestock. In February 2012, the three men and the corporation were charged with 13 counts of making false statements, conspiracy, and Lacey Act violations. One of the men was sentenced to 9 months' incarceration, followed by 36 months of probation. The second man was sentenced to 9 months' home confinement, 36 months of probation, and fined \$10,000. The third man was sentenced to 24 months of probation and fined \$10,000. The corporation was sentenced to 60 months of probation. All three men and the corporation were also ordered to pay \$1.5 million in restitution.

Multi-state Illegal Animal Fighting and Gambling Conspiracy Results in Five Convictions

As a result of a joint investigation with the Virginia Department of Alcoholic Beverage Control (ABC), five individuals in Virginia and Kentucky were arrested, charged, and convicted of multiple violations involving an interstate animal fighting and illegal gambling conspiracy. The investigation began as an inquiry by Virginia ABC investigators into an illegal moonshine operation, but then led to evidence of illegal cockfighting, gambling, drugs, and weapons violations, at which point we joined the investigation. Each of the five individuals was sentenced in U.S. District Court, Western District of Virginia, to a term of imprisonment encompassing 6 to 18 months' supervised release, and ordered to pay up to \$905,208 in restitution or forfeiture of currency or property constituting proceeds traceable to the crimes.

Romanian Princess and Retired Police Officer/ Deputy Sheriff Involved in Cockfighting Rings in Oregon and Washington

This case was initiated as a joint investigation involving OIG, the Drug Enforcement Administration (DEA), and the Washington State Gambling Commission. The investigation targeted organized cockfighting derbies and involved large-scale drug traffickers. More than 30 cockfighting derbies in Oregon and Washington were surveilled during the course of the investigation. One of the derby pits was run by a retired police officer/deputy sheriff and his wife, who is a Romanian princess. The investigation uncovered evidence of illegal cockfighting, gambling, drug trafficking, and weapons possession/sale. In August 2013, a total of 11 search warrants were executed, resulting in 34 indictments and 30 felony arrests. Officers seized 11 pounds of heroin (\$50,000 approximate value), 48 pounds of methamphetamine (\$384,000 approximate value), one kilogram of cocaine (\$30,000 approximate

value), and one illicit marijuana growing operation. Additionally, officers seized 28 vehicles, 35 weapons, and \$93,717 in cash. During this reporting period, one conviction, two jail sentences, six probation sentences, and \$3,900 in fines were imposed on various defendants. To date, 34 indictments, 25 convictions, \$24,100 in fines, and \$200,000 in asset forfeiture have been processed through the U.S. District Court, District of Oregon.

GOVERNMENTWIDE ACTIVITIES—GOAL 1

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.
- *U.S. Marshals Service Fugitive Task Forces.* OIG agents in Minnesota, New Jersey, New York, North Dakota, and Ohio participate on these task forces, which were established under the Presidential Threat Protection Act of 2000. Their purpose is to locate and apprehend the most dangerous fugitives and assist in high-profile investigations. In addition, the task forces can assist in serving warrants.
- *San Bernardino County Rural Crimes Task Force and San Bernardino Animal Cruelty Task Force.* OIG is one of several law enforcement agencies participating on task forces to combat crimes in rural areas in southeastern California, with a special focus on animal-fighting investigations.

ONGOING REVIEWS FOR GOAL 1

- implementation of the Public Health Information System for Domestic Inspection (FSIS),
- ground turkey inspection and safety protocols (FSIS),
- follow-up on 2007 and 2008 audit recommendations (FSIS),
- USDA's response to antibiotic resistance (ARS, FSIS, APHIS),
- Wildlife Services (WS)—wildlife damage management (APHIS),
- controls over the introduction of genetically engineered organisms (APHIS),
- procurement and inspection of fruits and vegetables (Agricultural Marketing Service (AMS)),
- evaluation of USDA's process verified programs (AMS, FSIS),
- adequacy of controls to prevent the release of sensitive technology (ARS), and
- application of humane standards at the Meat Animal Research Center (ARS).

Integrity of Benefits

OIG Strategic Goal 2

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. Some of the programs are among the largest in Government: SNAP alone accounts for approximately \$82 billion in FY 2015 benefits, or approximately 54 percent of USDA's budget, while over \$20 billion is spent on USDA farm programs, the second largest category after nutrition assistance. Intended beneficiaries of these programs include the working poor, hurricane and other disaster victims, and schoolchildren, as well as farmers and other rural residents. These programs support nutrition, farm production, and rural development.

In the first half of FY 2015, we devoted 47.9 percent of our total direct resources to Goal 2, with 93 percent of these resources under Goal 2 assigned to critical/high-impact work. A total of 91.3 percent of our audit recommendations under Goal 2 resulted in management decision within 1 year, and 84.7 percent of our investigative cases resulted in criminal, civil, or administrative action. OIG issued two audit reports under Goal 2 during this reporting period. OIG's investigations under Goal 2 yielded 252 indictments, 373 convictions, and \$207.5 million in monetary results during this reporting period.

Management Challenges Addressed Under Goal 2

- USDA Needs to Create Strong, Integrated Internal Control Systems Across Programs (Challenge 2)
- Departmental Outreach Efforts Need to be More Transparent (Challenge 4)

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 2

USDA Needs to Correct Broad and Pervasive Mismanagement of OAO Grant Funds

Our review of how OAO administered \$20 million in grant funding for each of FYs 2010 and 2011 for its Section 2501 Program found a pattern of broad and pervasive mismanagement of OAO grant funds for both years. This occurred because grant approval processes were informal and undocumented, and regulatory processes were disregarded. We found that OAO improperly funded Section 2501 Program grants in these fiscal years, which resulted in a potential Anti-Deficiency Act violation totaling over \$20 million; OAO approved 118 grants for over \$38 million to applicants who may not have been the most meritorious; OAO did not ensure that grantees adhered to regulations or the terms and conditions of their grant agreements; and OAO performed limited monitoring of the grantees.

A prior review disclosed similar concerns regarding OAO's administration of the Section 2501 Program for FY 2012. However, none of the individuals responsible for the

administration of the Section 2501 Program during the years covered by our prior audits are currently employed by OAO. In addition, the Department has been developing and implementing internal controls and procedures as a result of our prior audit work. OAO agreed with our findings, and we accepted management decision on all recommendations. (Audit Report 91099-0003-21, *Section 2501 Program Grants Awarded FYs 2010-2011*)

FSA Needs to Improve Controls over the Livestock Forage Program

The Farm Service Agency's (FSA) Livestock Forage Program (LFP) provides compensation to ranchers who have suffered grazing losses for livestock due to drought or fire. OIG initiated this review to determine if FSA's procedures resulted in eligible producers receiving correct payments in compliance with the program's requirements. Based on our review, we found that FSA county office staff made administrative errors in processing information associated with LFP applications for 78 payments, which resulted in improper payments of \$373,135, or 7 percent of the total payments reviewed. One producer was paid \$67,838

for ineligible livestock. We also found opportunities for FSA to improve its controls for ensuring the integrity of its review process—county committees need clearer guidance on how to determine the eligibility of leased land and district director reviews need to review producer eligibility and payment accuracy so that these reviews are truly effective. FSA agreed with our findings, and we accepted management decision on most recommendations. (Audit Report 03702-0001-32, *Farm Service Agency Livestock Forage Program*)

New York Farmer Convicted of Theft

In November 2014, in U.S. District Court, Western District of New York, a producer who sold FSA-mortgaged collateral without authorization was sentenced to 24 months of probation and was ordered to pay \$110,125 in restitution. Our investigation determined that, from March 2011 through late January 2012, the producer sold approximately 90 cows to companies and individuals without permission from FSA. The cows were pledged as collateral to secure a \$212,775 FSA-guaranteed mortgage. He was charged in July 2014 with theft of property mortgaged or pledged to a farm credit agency and pled guilty to the charge.

North Dakota Brothers Found Guilty of Conspiracy to Commit Fraud

In December 2014, a jury in North Dakota found two brothers, who farmed potatoes, guilty on charges of conspiracy to commit fraud in connection with Federal Crop Insurance and Federal Crop Disaster Programs; making false statements to USDA acting through the Risk Management Agency (RMA); as well as making false statements to Federal law enforcement authorities. The two brothers farmed potatoes near Northwood, North Dakota. The guilty verdicts were returned at the conclusion of a 2-week jury trial. In March 2015, the two brothers were sentenced in U.S. District Court, District of North Dakota. The first brother was sentenced to 48 months of incarceration, followed by 60 months of supervised release, and was ordered to pay \$932,776 in restitution. The second brother was sentenced to 18 months of incarceration, followed by 36 months of supervised release, and was ordered to pay \$932,776 in restitution (jointly and severally with his brother). A \$932,776 forfeiture judgment was also ordered.

The brothers' scheme, carried out over a period of years from as early as 2002, involved intentionally destroying and damaging potato crops in order to obtain Federal crop insurance indemnities and Federal crop disaster benefits. As part of the scheme, the brothers poisoned their potato seed during planting by applying concentrated nitrogen

fertilizer and septic system products to the seed prior to planting. They intentionally destroyed or neglected their growing crops in the field using cultivator equipment. They also purchased farm chemicals intended to protect the crops, but never applied them to their fields and instead resold the unused chemicals. They sprayed water on fields in order to fool neighbors and others into thinking they cared for the crop. During harvest, they intentionally left potatoes in the field to reduce their reported yields. The brothers also intentionally destroyed potatoes in storage by adding septic system products to water and spraying it on top of potatoes in storage and adding frozen potatoes to the top of the stored potato pile, then using a portable heater to increase warehouse temperatures in order to regulate the rate of potato soft rot. The brothers took these actions in advance of filing claims for lost potato production and stored potato crops over a period of years. The brothers and their farming operations received millions of dollars in Federal crop insurance indemnities, subsidized crop insurance premiums, and Federal disaster benefits.

Former Bank President Ordered to Pay \$14.7 Million in Restitution for Bank Fraud Involving USDA Funds

In December 2014, in Federal court in Oklahoma, a former bank president who pled guilty to bank fraud relating to Rural Business-Cooperative Service (RBS) loan funds was sentenced to 24 months in prison and ordered to pay \$14.7 million in restitution. OIG's investigation revealed that a construction equipment company, in conjunction with this bank president, submitted a fraudulent application for \$8.2 million in guaranteed RBS funds, purportedly to refinance construction debt and build a truck stop. The investigation divulged the loan's true purpose, which was to hide \$9 million of imbedded losses from bank examiners. In addition, the bank president fraudulently approved nominee loans for the construction company's benefit in order to avoid legal lending limits. The scheme resulted in \$26 million in bank losses and contributed to the failure of the bank in 2011. Previously, a corporate officer of the construction company was convicted on bank fraud charges and was ordered to pay a \$3.2 million forfeiture judgment. The corporate officer is awaiting further sentencing.

Rural Development (RD) Grant Funds Embezzled by Company Accountant

A joint investigation with the U.S. Department of Health and Human Services, Office of Inspector General, Internal Revenue Service-Criminal Investigation, and the Wiscasset, Maine, Police Department determined that an accountant employed by a company receiving RD grant funds misused a company credit card to make personal purchases totaling

approximately \$300,000 over the course of several years. The company, unaware of the fraud, used RD funds to pay the credit card charges. In U.S. District Court, District of Maine, the company employee pled guilty to Federal program and tax fraud charges. She was sentenced in October 2014 to 20 months' imprisonment to be followed by 36 months' supervised release and was ordered to pay \$365,168 in restitution.

SNAP TRAFFICKING CASES

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 the Food and Nutrition Service (FNS), OIG has concluded the following SNAP-related investigations and prosecutions in the first half of FY 2015:

- *New York Store Owner Convicted of SNAP Trafficking*—In February 2015, in a New York State court, a Schenectady store owner who trafficked in SNAP benefits was sentenced to several years in State prison and was ordered to pay \$500,000 in restitution and a \$5,000 fine. The man's two sons, who also purchased SNAP benefits illegally at the store, were each sentenced to 12 months of conditional discharge and fined \$1,000. Our investigation, conducted with the assistance of the Schenectady Police Department and the Department of Social Services, found that the owner and his two sons were exchanging SNAP benefits for cash. The three men were arrested in July 2013 and charged with a variety of crimes, including misuse of food stamps, grand larceny, conspiracy, and falsifying business records. The store owner pled guilty in December 2014 to one count of second degree grand larceny and felony misuse of food stamps.
- *Long Island Store Owners Guilty of Fraud Involving Hurricane Sandy Emergency SNAP Benefits*—Our joint investigation with the New York State Office of the Attorney General revealed the illegal trafficking of SNAP benefits by the owners of a small gas station and convenience store in Riverhead, New York. Beginning in early 2012, OIG agents determined that two store clerks, identified as the chief executive officer (CEO) and the store's owner, were engaging in SNAP-trafficking transactions. Numerous SNAP recipients visited the store and exchanged their SNAP benefits for cash on multiple occasions. This activity included multiple visits to the store by SNAP recipients in the days and nights following Hurricane Sandy when emergency SNAP benefits were issued to SNAP recipients affected by the storm. In June 2013, the CEO, the store's owner, and the corporation were charged with a variety of criminal violations in a Suffolk County, New York, court. OIG agents arrested the owner and the CEO shortly afterward, and New York State Office of the Attorney General investigators apprehended 24 SNAP recipients who had obtained cash for their SNAP benefits at the store. Twenty-one of these subjects have pled guilty and have been sentenced. In January 2015, the CEO and store owner pled guilty to a variety of crimes including grand larceny, money laundering, felony misuse of food stamps, falsifying business records, and conspiracy. Sentencing is pending for the defendants, but the CEO, store owner and corporation have agreed that they are jointly liable for paying \$566,011 in restitution.
- *Rhode Island Store Employee Tries to Flee the Country After Being Sentenced to Prison for Defrauding SNAP and Selling Untaxed Cigarettes*—The U.S. Attorney's Office for the District of Rhode Island provided information regarding money laundering and the sale of untaxed cigarettes at a Rhode Island store, and requested OIG's assistance in a joint investigation with FNS, the FBI, the Rhode Island State Police, Immigration and Customs Enforcement-Homeland Security Investigations (ICE-HSI), and Internal Revenue Service-Criminal Investigations (IRS-CI) in determining if the trafficking of SNAP benefits was occurring. A search warrant was executed at the store, and the store's straw owner was arrested and charged with conspiracy to make a materially false statement to FNS. Other subjects of the investigation were charged with the possession and/or sale of contraband cigarettes. The subjects pled guilty and have been sentenced to terms of supervision ranging from probation to prison terms ranging from 24 months to 42 months. Several of the defendants have been ordered to pay special assessments, and two defendants were ordered to pay restitution totaling approximately \$170,000, but final determination of the full restitution owed by the central figures in the conspiracy is pending. In October 2014, U.S. Probation contacted U.S. Customs and Border Protection to report that one of the main subjects—who had been sentenced to prison—had removed his GPS tracking bracelet and was believed to be attempting to flee the country prior to the beginning of his prison sentence. An arrest warrant was issued, and the man was apprehended on board a flight bound for Beirut, Lebanon. He was taken into custody by the U.S. Marshals Service and returned to the District of Rhode Island where he began serving his prison sentence.
- *Baltimore Store Owner Pleads Guilty to Unlawfully Redeeming More than \$1.2 Million in SNAP Benefits*—A Baltimore, Maryland, retail store owner

was charged with food stamp fraud and wire fraud in connection with a scheme to illegally redeem more than \$1.2 million in SNAP EBT (electronic benefits transfer) benefits which were obtained in exchange for cash. During the course of the investigation, the store owner admitted that he received more than \$1.2 million in SNAP redemptions for food sales that never occurred. The store owner entered a guilty plea and was sentenced to 46 months in prison, followed by 36 months of supervised release, and was ordered to pay \$1.2 million in forfeiture and restitution. In 2011, FNS compliance investigators referred this case to OIG after successfully trafficking SNAP benefits at this store. OIG then conducted a joint investigation with the FBI.

- *Four Individuals Convicted in Illegal SNAP and Narcotics Trafficking Conspiracy*—In another investigation in Baltimore, four individuals, including a retail store owner, were indicted and convicted on Maryland State charges of conspiracy, theft, and illegal narcotics distribution. The store owner was sentenced to 10 years' incarceration, 24 months' home detention, and 36 months' supervised probation; the owner was also ordered to pay \$440,000 in restitution and forfeiture. The other three individuals were sentenced to serve at least 24 months each on supervised probation. This investigation was conducted jointly with the Baltimore, Maryland, Police Department and FNS, after FNS investigators successfully trafficked benefits as part of their undercover operation.
- *Two SNAP Retailers Sentenced to 48 Months in Prison for SNAP Fraud*—A third investigation in Baltimore resulted in two other retail store operators being charged with food stamp fraud and wire fraud after they schemed to illegally redeem more than \$1.1 million in SNAP/EBT benefits which they purchased for cash. Both store operators were convicted via a criminal jury trial and were each sentenced to 48 months in prison, 12 months of supervised release, and ordered to pay more than \$1.1 million in forfeiture and restitution. This investigation was conducted jointly with the FBI.
- *Rural Virginia Store Employee Convicted and Sentenced for SNAP Trafficking*—As the result of an investigation conducted jointly with the U.S. Secret Service and a local police department, an employee of a store in rural Virginia pled guilty to SNAP trafficking and was sentenced to 18 months in prison followed by 36 months of supervised release. The employee was also ordered to pay \$418,152 in restitution jointly and severally with the owner of the store, who, as reported previously in the *Semiannual Report to Congress*,

Second Half of FY 2014, entered a guilty plea to SNAP fraud and money laundering violations. The men illegally redeemed more than \$400,000 in SNAP/EBT benefits which they obtained in exchange for cash. The store owner was subsequently sentenced to 12 months' incarceration, followed by 36 months of supervised release, and ordered to pay \$418,152 in restitution.

- *Cleveland Storeowner and Employees Convicted of WIC (Special Supplemental Nutrition Program for Women, Infants, and Children) and SNAP Fraud*—Our investigation determined that a Cleveland, Ohio, store owner and his employees defrauded USDA nutrition assistance programs of more than a half million dollars. We determined that the store owner and his employees exchanged SNAP benefits and vouchers issued through WIC for cash. The store owner then used SNAP benefits belonging to 65 different people to purchase food items at a number of different Cleveland area grocery stores and then resold that food in his store. In June 2013, the owner was sentenced for his role in defrauding WIC and SNAP in U.S. District Court for the Northern District of Ohio to 10 months in prison and ordered to pay \$395,000 in restitution. Additionally, he was convicted of naturalization fraud and in December 2014, he was sentenced in the same court to 12 months' home confinement, 36 months' supervised release, and is subject to deportation.
- *Five Indiana Individuals Sentenced to Prison in \$1.5 Million SNAP Fraud Conspiracy*—This joint investigation with the FBI into six retail stores in Gary, Indiana, determined that the owners, operators, and employees conspired to commit over \$1.5 million in SNAP fraud. Two of the six stores were initially reviewed by FNS and were referred to OIG following successful SNAP benefits trafficking transactions. In November and December 2014, five individuals were sentenced in U.S. District Court, Northern District of Indiana, for wire fraud and conspiracy. Their sentences ranged from 15 to 33 months in prison, and they were ordered to pay collectively over \$1.5 million in restitution.
- *Alaska Store Owner Sentenced to 18 Months in Prison as a Result of a Joint Investigation Between OIG and the FBI*—In February 2015, in U.S. District Court, District of Alaska, the owner of a market in Anchorage who illegally exchanged SNAP benefits for cash and ineligible items was sentenced to 18 months in prison, to be followed by 24 months of supervised release; the owner was also ordered to forfeit \$42,489 that had been seized during the investigation. OIG began the investigation after receiving a request from the FBI

to assist with an ongoing investigation that indicated the store was involved in SNAP trafficking. In May 2013, the store owner was arrested and charged with 15 counts of wire fraud and 10 counts of SNAP trafficking. In August 2014, the owner pled guilty to two counts of wire fraud.

- *Colorado Store Owner Receives 50-Month Prison Sentence and Is Ordered to Pay \$876,686 in Restitution*—In February 2015, in U.S. District Court, District of Colorado, a Lakewood grocery store owner who illegally exchanged SNAP benefits for cash and ineligible items was sentenced to 50 months in prison, followed by 36 months of supervised release, and was ordered to pay restitution of \$876,686. A money judgment in the amount \$876,686 was also ordered. In April 2014, the owner was charged with 23 counts of wire fraud and one count of SNAP benefits fraud in excess of \$5,000. In June 2014, an employee of the store pled guilty to one count of misdemeanor SNAP trafficking. The employee was sentenced in August 2014 to 36 months of probation, fined \$2,500, and was ordered to perform 100 hours of community service. This was a joint investigation with FNS, the FBI, the Lakewood Police Department, the Jefferson County Social Services, and other local police departments that took place following a FNS case escalation.
- *Two Yakima Store Employees Receive Prison Sentences for SNAP Trafficking*—In October 2014, in U.S. District Court, Eastern District of Washington, the store manager and another employee of a Yakima store were sentenced for their roles in trafficking SNAP benefits. The manager was sentenced to 13 months' incarceration, followed by 36 months of court supervision. The other employee was sentenced to 6 months in prison, followed by 36 months of court supervision. The manager and employee were charged in March 2013 with wire fraud and SNAP benefit fraud. In December 2013, the manager pled guilty to one felony count of wire fraud, and the other employee pled guilty to one felony count of SNAP fraud. The store owner, who was previously charged in October 2013 with wire fraud and SNAP benefit fraud, pled guilty in June 2014 to one count of a misprision (concealment) of a felony. The owner was sentenced in September 2014 to 24 months' imprisonment, followed by 12 months' supervised release. The owner paid \$31,438 in restitution at the time of sentencing and still owes \$315,383 in restitution. OIG, the Food and Drug Administration-Office of Criminal Investigation, ICE-HSI, the Yakima Police Department, and the Washington Department of Social and Health Services were involved in the investigation. The investigation

also identified dozens of SNAP recipients who exchanged benefits for cash at the store.

OTHER SNAP FRAUD INVESTIGATIONS

OIG also investigates recipients who fraudulently obtain SNAP benefits, as well as State and local employees who misuse their positions involving SNAP administration and other individuals who improperly access SNAP funds. The following are examples of these investigations that achieved results in the first half of FY 2015:

- *Commonwealth of Pennsylvania to Pay \$48.8 Million to Resolve Federal Government's Claims That It Provided Benefits to Ineligible Aliens*—In a joint investigation with the Department of Health and Human Services, Office of Inspector General, and the U.S. Attorney's Office, Middle District of Pennsylvania, it was alleged that, between 2004 and 2010, the Commonwealth of Pennsylvania's Department of Public Welfare provided approximately \$48.8 million of Federal means-tested benefits to ineligible aliens. The benefits at issue were Medicaid (fee-for-service and managed care), Temporary Assistance for Needy Families (TANF), and SNAP. In January 2015, the Commonwealth of Pennsylvania entered into a settlement agreement with the U.S. Government and agreed to pay \$48.8 million to resolve the Federal Government's claims that it provided benefits to ineligible aliens in violation of Federal law. This settlement agreement was neither an admission of liability by Pennsylvania nor a concession by the United States that its claims are not well founded.
- *SNAP Recipients Create a SNAP Credit Scheme Targeting a Northern California School-Operated Produce Market*—In an update to a case previously reported in the *Semiannual Report to Congress, Second Half of FY 2014*, a second individual has been sentenced for participating in a SNAP credit fraud scheme. In February 2015, this defendant was sentenced to 60 months' probation and was ordered to pay \$46,531 in restitution, jointly and severally with the co-defendant who was previously sentenced. In June 2012, OIG received information from the California Department of Social Services, Welfare Fraud Bureau, informing OIG of suspicious SNAP EBT credits with no corresponding purchases for numerous card holders. The bulk of the returns were processed by a school-sponsored produce market in Oakland. Further inquiries by OIG revealed approximately \$56,000 in suspicious return attempts, of which approximately \$45,000 were successfully transacted, which gave numerous SNAP EBT recipients credit for non-

purchases between May 31, 2012 and June 16, 2012. The credited EBT cards were later used at locations such as Costco, Smart and Final, and Safeway stores to purchase large amounts of food and beverage items.

- In June 2013, in Superior Court of California, a complaint was filed against two defendants, charging them with felony charges including Food Stamp Fraud, a violation of section 10980(g) of the Welfare and Institution Code of California, and Grand Theft of Personal Property, a violation of section 487(a) of the Penal Code of California. One of the defendants was a helper and the daughter of a school parent who had been placed in charge to run the school market, and the other was a close friend of the family. The produce market was held on school premises; however, the SNAP point of service machine was located inside the school because power and a phone line were needed to process transactions. Both defendants, who were placed in a position of trust to complete SNAP EBT sales, processed phantom food returns for various family and friends who had SNAP EBT cards.
- *California Woman Intimidates SNAP Recipients into Lying to Investigators about Their Benefits*— In November 2014, in U.S. District Court, Central District of California, a woman who conspired in a scheme to benefit from fraudulent unemployment insurance claims pled guilty to conspiracy and witness tampering. She was sentenced to 37 months in prison, followed by 36 months of supervised release, and was ordered to pay \$34,800 in restitution. USDA-OIG opened the investigation after being notified by U.S. Department of Labor’s Office of Inspector General (DOL-OIG) about possible SNAP-related fraud by a California State employee. DOL-OIG’s investigation revealed that the State of California employee and co-conspirators “forced” unemployment payments to friends and family members, some of whom were receiving SNAP benefits, even though the individuals were not eligible for unemployment payments. During the investigation, the woman told a witness to lie to the investigator regarding the scheme. In May 2012, the former State employee pled guilty to conspiracy and bribery. By pleading guilty, he admitted that he was responsible for obtaining more than \$500,000 in unemployment benefits for more than 50 ineligible individuals, some of whom also received SNAP benefits. The former State employee collected more than \$40,000 in cash kickbacks from the ineligible recipients, whom he had contacted through a network of recruiters. The former State employee was sentenced in September 2012 to 76 months in prison and was ordered to pay \$510,000 in restitution.

GOVERNMENTWIDE ACTIVITIES—GOAL 2

Review of Legislation, Regulations, Directives, and Memoranda

Rural Business-Cooperative Service (RBS) and Rural Utilities Service (RUS): Proposed Rule: Guaranteed Loan-making and Servicing Regulations. OIG reviewed the guaranteed loan-making and servicing regulations (79 Fed. Reg. 178, 55316 (Sept. 15, 2014)) proposed by RBS and RUS and had three comments. First, OIG recommended that RBS allow lenders and agencies to hold their annual conference via telecommunication only if the lender has supplied all required servicing reports to the agency. Second, OIG commented that, because prior audits have shown that borrowers' jobs created and saved numbers were not always accurate or reported consistently, the proposed provision of a priority score leaves room for abuse. OIG recommended that RBS/RUS define how created jobs should be counted, and incorporate a verification component to its scoring criteria. Finally, because the timely acquisition of the borrower's financial statements is crucial to adequately servicing the loan, OIG commented that RBS/RUS should clarify what is considered a "reasonable attempt to obtain financial statements" under the regulations.

Testimonies

The House Committee on Appropriations' Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies. On February 13, 2015, Inspector General Phyllis Fong testified on OIG's recent oversight of USDA programs, noting that OIG's FY 2014 audit and investigative work garnered potential monetary results totaling over \$700 million with 36 audit reports issued, 247 recommendations made, and 609 criminal convictions obtained. She underscored in her testimony OIG's attention to USDA agencies' program controls and the agencies' ongoing challenge to ensure participant compliance with USDA program requirements. While improving management controls remains a challenge, Inspector General Fong testified, the Department has been receptive to OIG's message. Whether in restoring integrity to the StrikeForce Initiative Program or ensuring that USDA agencies transfer money between programs in accordance with the Economy Act, Department leadership has taken swift and decisive action to correct problems OIG identified.

Participation on Committees, Working Groups, and Task Forces

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 first half of FY 2015, Talon operations were conducted in 4 States, resulting in more than 50 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 families and children, robbery, sex crimes, and weapons violations.

Bridge Card Enforcement Team. OIG investigators work with this team to investigate criminal SNAP and WIC violations. Team members include the Michigan State Police and IRS-CI investigators; during this reporting period, we also worked with FBI and ICE-HSI. Since 2007, our teamwork has resulted in 175 arrests and 269 search warrants served. 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, so far resulting in 157 guilty pleas and sentences including lengthy incarceration periods and over \$27 million in court-ordered fines and restitution. The U.S. Attorney's Offices have initiated forfeitures totaling over \$5.3 million.

Regional Inspectors General Councils and Intelligence Working Groups. OIG investigators work with various councils and groups to share information, discuss ongoing and potential work of mutual interest, and strengthen working relationships. For example, Western Region OIG investigators organize and participate in meetings to enhance coordination among Federal, State, and local law enforcement agencies throughout the region. Inspector General (IG) councils meeting in other regions of the country also include USDA-OIG representatives.

Environmental Crimes Working Groups. OIG agents continue to participate in working groups in New Hampshire and Washington State to improve coordination among Federal, State, and local law enforcement agencies enforcing environmental laws, as well as to exchange information and provide prosecutorial support and training opportunities.

OIG agents participated in other task forces and working groups related to benefits fraud, including the *Northern California Financial Fraud Investigators Association*; a bankruptcy fraud working group and white-collar fraud working group in Missouri; the *Identity Theft Working Group* in New Hampshire; social services/welfare fraud working groups in Oregon and Washington State; the *Colorado Welfare Fraud Council*; and SNAP and welfare fraud joint investigative groups in Arizona and California, including a *U.S. Secret Service High Tech Crimes Task Force*.

ONGOING REVIEWS FOR GOAL 2

- Rainfall and Vegetation Index Pilot Program (RMA),
- National Program Operations Reviews (RMA),
- Rural Energy for America Program (RBS),
- microloans (FSA),
- Healthy Hunger-Free Kids Act (FNS),
- beginning farmers and ranchers programs (FSA, RMA, Natural Resources Conservation Service (NRCS), OAO, National Institute of Food and Agriculture (NIFA), and RD),
- SNAP error rate (FNS),
- monitoring of highly erodible land and wetland conservation violations (NRCS and FSA),
- National School Lunch and Breakfast Programs (FNS),
- Rural Rental Housing's tenant and owner information using data analytics (Rural Housing Service (RHS)), and
- Single Family Housing Direct Loan Credit Reporting (RHS).

Management Improvement Initiatives

OIG Strategic Goal 3

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, 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. One of the more significant dangers USDA faces is a cyber attack on its IT infrastructure, whether by terrorists seeking to destroy unique databases or criminals seeking economic gain.

In the first half of FY 2015, we devoted 38.3 percent of our total direct resources to Goal 3, with 96.6 percent of these resources assigned to critical/high-impact work. A total of 94.0 percent of our audit recommendations under Goal 3 resulted in management decision within 1 year, and 66.7 percent of our investigative cases resulted in criminal, civil, or administrative action. OIG issued 11 reports under Goal 3 during this reporting period. OIG's investigations under Goal 3 yielded 10 indictments, 5 convictions, and approximately \$45 million in monetary results during this reporting period.

Management Challenges Addressed Under Goal 3

- USDA Needs to Create Strong, Integrated Internal Control Systems Across Programs (Challenge 2)
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EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 3

USDA Needs to Correct Long-Standing Deficiencies in Its IT Security

Although USDA continues to improve the security posture of its IT infrastructure and associated data, many longstanding weaknesses remain. In FYs 2009 through 2013, OIG made 55 recommendations for improving the overall security of USDA's systems, but the agreed upon corrective actions have been implemented for only 21. We noted that OCIO is taking positive steps which should improve its security posture. For example, OCIO released five key Department-wide policies in the latter part of FY 2013 and FY 2014. However, the next and most critical steps involve actions by each of USDA's agencies and staff offices. First, agency-specific procedures must be developed based on each Departmental policy. Second, and most critical to improving USDA's security posture, each agency must incorporate the procedures it develops into its normal, ongoing business processes. Again this year, we continue to report a material weakness in USDA's IT security. The Department has not (1) developed policies, procedures, or strategies for risk management

in accordance with Federal guidance; (2) monitored agencies for compliance with baseline configurations and ensured known vulnerabilities were fixed; (3) deleted separated employees' access to computer systems; and (4) developed and implemented a policy to detect and remove unauthorized network connections. (Audit Report 50501-0006-12, *U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2014 Federal Information Security Management Act*)

USDA FY 2014/2013 Consolidated Financial Statements

USDA's consolidated financial statements fairly present, in all material respects, USDA's financial position as of September 30, 2014, and 2013. Statements of net cost, changes in net position, and budgetary resources for these years conform to accounting principles generally accepted in the United States. OIG's review of USDA's internal controls over financial reporting identified four significant deficiencies, two of which are material weaknesses. The two material weaknesses relate to controls over financial reporting at three of USDA's component agencies and improvements needed in the Department's overall information technology security program. Also, USDA

needs to improve its controls over financial reporting, as our review again disclosed deficiencies related to obligations and abnormal year-end balances. We also found that controls at one agency are not adequate to ensure that funds were spent for the purposes intended by Congress. The final significant deficiency we identified relates to deviations in IT controls over two financial systems. Additionally, this report includes a finding related to USDA's lack of substantial compliance with the Federal Financial Management Improvement Act of 1996, and a finding related to violations of the Anti-Deficiency Act. The Department concurred with our findings and generally agrees with our recommendation. (Audit Report 50401-0007-11, *Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2014 and 2013*)

In addition to auditing USDA's consolidated financial statements, OIG either performed or oversaw contractors as they performed audits of five USDA agencies' financial statements, as well as USDA's special purpose financial statements:

- *RD—Unmodified Opinion on FY 2014/2013 Financial Statements.* RD received an unmodified opinion on its financial statements for FYs 2014 and 2013. Our consideration of internal controls over financial reporting identified no material weaknesses. However, our consideration of compliance with laws and regulations noted an instance of noncompliance with the Government Performance and Results Modernization Act of 2010. (Audit Report 85401-0004-11, *Rural Development's Financial Statements for Fiscal Years 2014 and 2013*)
- *CCC—Unmodified Opinion on FY 2014/2013 Financial Statements.* An independent certified public accounting firm audited the Commodity Credit Corporation's (CCC) financial statements for FYs 2014 and 2013 and issued an unmodified opinion. CCC's FY 2013 previously issued financial statements have been restated due to corrections of errors in CCC's child accounts with the United States Agency for International Development. The previously issued financial statements were materially misstated and the previously issued auditor's report, dated December 3, 2013, has been withdrawn and replaced by the auditor's report, dated November 6, 2014, on the restated financial statements. The independent auditing firm identified two significant deficiencies, including weaknesses in CCC's funds control and controls over child agency financial reporting. The auditors considered the first significant deficiency to be a material weakness. The accounting firm's test of compliance with laws and regulations disclosed substantial noncompliance with

the Federal Financial Management Improvement Act (FFMIA) for the United States Standard General Ledger at the transaction level. (Audit Report 06401-0004-11, *Commodity Credit Corporation's Financial Statements for Fiscal Years 2014 and 2013*)

- *Federal Crop Insurance Corporation (FCIC)/RMA—Unmodified Opinion on FY 2014/2013 Financial Statements.* An independent certified public accounting firm audited FCIC/RMA's consolidated financial statements for FYs 2014 and 2013 and issued an unmodified opinion. The accounting firm report identified two deficiencies: the first pertaining to FCIC/RMA's estimated losses on insurance claims calculation, and the second pertaining to financial reporting. The auditors considered the first deficiency a material weakness and the last one a significant deficiency. (Audit Report 05401-0004-11, *Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2014 and 2013*)
- *FNS—Unmodified Opinion on FY 2014/2013 Financial Statements.* OIG audited FNS' comparative financial statements and determined that the agency's financial statements for FYs 2014 and 2013 present fairly, in all material respects, FNS' financial position as of September 30, 2014 and 2013, and that they conform with accounting principles generally accepted in the United States of America. This includes the agency's net costs, changes in net position, and statements of budgetary resources. Our consideration of FNS' internal control over financial reporting identified no significant deficiencies or material weaknesses. However, our consideration of compliance with laws and regulations noted an instance of noncompliance with the Improper Payments Elimination and Recovery Act of 2010. (Audit Report 27401-0004-21, *Food and Nutrition Service's Financial Statements for Fiscal Years 2014 and 2013*)
- *NRCS—Disclaimer of Opinion on FY 2014 Financial Statements.* An independent certified public accounting firm audited NRCS' financial statements for FY 2014 and issued the agency a disclaimer of opinion. The independent auditor's report identified weaknesses in NRCS' accounting controls over obligations and undelivered orders; controls over financial operations; accounting and controls over expenses; and controls over revenue, accounts receivable, and unfilled customer orders. The auditing firm considered the first three deficiencies to be material weaknesses and the last one to be a significant deficiency. (Audit Report

FS Needs to Better Coordinate Its Compliance Activities

Our review of the various oversight and program compliance activities within the Forest Service (FS) found that the agency can better integrate and coordinate its efforts to build a more effective program compliance structure where oversight activities translate consistently into program gains. For example, we found that FS regional offices and research stations did not always provide formal review reports to the Washington, D.C., officials who effect policy changes. Without the review results, management officials did not conduct analyses, such as trending, to determine if policy changes were needed for their programs or if issues were systemic. Further, OIG found that the agency's directive system is outdated and not synchronized with the program compliance activities actually performed. Since an agency's management control systems are designed to provide assurance that the agency is fulfilling its mission, objectives, and statutory responsibilities, problems with internal control increase the likelihood that FS may not achieve its objective of sustaining the health, diversity, and productivity of the Nation's forests and grasslands. FS agreed with our findings and recommendations. (Audit Report 08601-0001-31, *Forest Service Oversight and Compliance Activities*)

Review of USDA's Contracting Officer's Representatives

As a nonaudit service, we contracted with an independent organization to assess the current perceptions and practices of USDA's Contracting Officer's Representatives (COR). CORs play a critical role in the outcome of the contract administration process and function as the "eyes and ears" of the contracting officer; they monitor technical performance and report any potential or actual problems to the contracting officer. The report contained information that should be beneficial in strengthening USDA's current and future contracting activities. The results of the assessment were grouped into two main categories: (1) regulatory aspects to managing CORs which included such topics as delegation of authority, COR training, project manager and COR relationship, performance accountability, and policies and guidance; and (2) contract management which covered communications, pre-award and contract administration activities, documentation, and requirements for reporting contractor past performance. Office of Procurement and Property Management (OPPM) was generally receptive to the observations and best practices noted in the report. This work was performed as a nonaudit service; therefore, it was

Office of Procurement and Property Management Needs to Better Oversee USDA Charge Cards

We found that, due to inadequate training and guidance, USDA approved and processed questionable charges made by agency personnel—including agency card holders, their supervisors, and local agency program coordinators—with minimal oversight from OPPM. Out of 169,054 questionable transactions, we selected 230 of these transactions for review from 6 agencies, and found that 174 transactions, totaling about \$163,160, were questionable because they were prohibited by OPPM's policy, were not properly approved, or lacked supporting documentation. While we have noted most of these issues in prior audits, OPPM has not sufficiently addressed them.

We also found that, although agencies and their card holders were typically reporting erroneous transactions regularly and within the prescribed timelines, U.S. Bank's Access Online system did not accurately report the resolution status of reportedly erroneous transactions. In FY 2011, card holders reported to U.S. Bank 489 erroneous transactions charged in foreign currencies. However, because data in Access Online—the system used to manage purchase card and convenience check transactions—are unclear, OPPM was unsure whether the funds had been recovered.

OPPM concurred with our findings and issued guidance to strengthen the purchase card program during the course of our review in response to our interim disclosures of information concerning questionable transactions. We reached management decision on all recommendations. (Audit Report 50024-0001-13, *Review of the Department's U.S. Bank Purchase Card and Convenience Check Data*)

Charge Card Abuse Prevention Act of 2012

Auditors conducted risk assessments of USDA's FY 2014 purchase and travel card programs, in compliance with the Government Charge Card Abuse Prevention Act of 2012 and OMB Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012. We determined that the risks of illegal, improper, or erroneous purchases and payments made through USDA's purchase card and travel card programs are moderate. As such, we do not plan to initiate any audits of the purchase card or travel card programs in FY 2015.

Two RD Employees Conspire to Make False Statements Concerning Employment

In October 2014, an RHS employee in St. Louis 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, resign from her current position within 20 days of enrollment in the diversion program, truthfully and completely answer questions regarding the involvement of others in the offense, and acknowledge disclosure of the agreement to certain USDA officials and their designees. Our investigation determined that she and another RHS employee (at the time an applicant for an RHS position) conspired together to submit false information on the man's job application and that she engaged in prohibited personnel practices when she falsely stated that she had verified his prior employment history, when in fact she knew the information on his application was false. He was hired by RHS. She also did not disclose to Rural Development officials that she had a previous personal relationship with the other employee.

Inaccurate Commercial Pricing Practices by a Private Boston Company in Connection with a GSA Multiple Award Schedule for Storage Maintenance Services Leads to Massive Civil Settlement

A multiple agency joint investigation, including USDA-OIG, Defense Criminal Investigative Service, General Services Administration (GSA)-OIG, and the National Aeronautics and Space Administration-OIG, was launched pursuant to a false claim Qui Tam filing with the United States Attorney's Office, Eastern District of California, Sacramento, California. The GSA Multiple Award Schedule contract was originally awarded in 2001 and extended in 2006 to a private company in Boston, Massachusetts, to provide records and information storage/management services for multiple Federal government agencies, including USDA's Office of the Chief Financial Officer, Forest Service, APHIS, ARS, FSIS, and the Assistant Secretary for Administration. The complaint alleged that the company failed to provide notification of larger discounts and lower prices offered to commercial customers in violation of GSA contract's "best pricing terms," and thereby fraudulently overcharged the Government. In December 2014, a civil false claim settlement agreement was reached in which the Boston company paid a \$44.5 million settlement to the U.S. Government.

GOVERNMENTWIDE ACTIVITIES—GOAL 3

Review of Legislation, Regulations, Directives, and Memoranda

- *Office of Management and Budget Guidance on Reporting Improper Payment Information.* We reviewed the draft FY 2015 OMB Circular A-136, Financial Reporting Requirements, related to reporting requirements for the Improper Payments Information Act, as amended. We provided comments on the improper payment tables and sections to the Council of the Inspectors General on Integrity and Efficiency (CIGIE) for consolidation and submission to OMB.
- *Disclosing Aid Spent to Ensure Relief Act (or DISASTER Act).* In October 2014, OIG commented on a draft of the bill titled “Disclosing Aid Spent to Ensure Relief Act,” sometimes referred to as the “DISASTER Act.” The draft bill proposed to add a new provision to chapter 11 of title 31 of the U.S. Code that would have required certain Federal agencies to file a report with OMB at the beginning of each calendar year, regarding Federal disaster-related assistance for the preceding fiscal year. The report was to contain information about “response and recovery spending” and “mitigation spending.” In order to clarify what kind of spending is allowed by USDA agencies, OIG recommended that those two terms (i.e., “response and recovery spending” and “mitigation spending”) be defined in the bill.

Participation on Committees, Working Groups, and Task Forces

- *Financial Statement Audit Network (FSAN) Workgroup.* OIG auditors are members of the FSAN Workgroup, whose main purpose is to provide the audit community with a forum to share ideas, knowledge, and experience concerning Federal financial statement audits. Through coordination with FSAN, OIG hosts the annual CIGIE/Government Accountability Office Financial Statement Audit Conference.
- *Whistleblower Ombudsman Working Group.* An OIG employee serves as USDA’s Whistleblower Protection Ombudsman and continues to participate in the OIG Whistleblower Ombudsman Working Group. This group was established following the enactment of the Whistleblower Protection Enhancement Act of 2012 to assist ombudsmen with implementing the Act’s requirements concerning the education of Federal employees about prohibitions against retaliation for protected disclosures of fraud, waste, and abuse, and their rights and remedies if retaliation does occur.

During this reporting period, the Working Group met with a representative of the Office of Special Counsel to discuss issues involving whistleblower concerns.

ONGOING REVIEWS FOR GOAL 3

- consolidated financial statements for FYs 2015 and 2014 (Office of the Chief Financial Officer (OCFO)),
- reviews of agency financial statements (NRCS, RD, FNS, CCC, and FCIC),
- crop insurance compliance case management (RMA),
- FY 2014 Executive Order 13520, High Dollar Overpayments Report Review,
- Department of Agriculture's FY 2014 compliance with the Improper Payments Elimination and Recovery Act of 2010 (OCFO),
- review of initiative to Modernize and Innovate the Delivery of Agricultural Systems (FSA),
- review of selected contract actions (Office of the Assistant Secretary for Civil Rights),
- agreed-upon procedures: employee benefits, withholdings, contributions, and supplemental semiannual headcount reporting submitted to the Office of Personnel Management (OCFO),
- fleet charge card data (USDA),
- Hispanic and women farmers and ranchers claim resolution process (USDA),
- In re Black Farmers Discrimination Litigation—adjudicated claims (USDA),
- controls over prioritizing and funding agricultural research (USDA),
- coordination of USDA farm program compliance (FSA, RMA, NRCS, OCIO),
- monitoring of the Administration's Trade Agreement Initiatives (Foreign Agricultural Service),
- controls over land valuations for conservation easements (NRCS),
- controls over the Conservation Stewardship Program (NRCS),
- wetland conservation provisions in the Prairie Pothole Region (NRCS),
- monitoring of stewardship activities (FS),
- firefighting cost share agreements with non-Federal entities (FS), and
- wildland fire activities—hazardous fuels reduction (FS).

Reporting Requirements, Inspector General Act

IG Act Section	IG Act Description	USDA-OIG Reported SARC March 2015
Section 4(a)(2)	Review of Legislation and Regulations	Pages 12, 18
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-19
Section 5(a)(2)	Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-19
Section 5(a)(3)	Significant Recommendations from Agency's Previous Reports on Which Corrective Action Has Not Been Completed	Appendix A.10 Pages 38-49
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 32-34
Section 5(a)(7)	Summary of Significant Reports	Goals 1, 2, and 3 Pages 1-19
Section 5(a)(8)	Statistical Table: Questioned Costs	Appendix A.2 Pages 27-28
Section 5(a)(9)	Statistical Table: Recommendations That Funds Be Put to Better Use	Appendix A.3 Page 29
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 Page 35
Section 5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	Appendix A.8 Page 36
Section 5(a)(12)	Significant Management Decisions with Which the Inspector General is in Disagreement	Appendix A.9 Page 37
Section 5(a)(13)	Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996	Appendix A.11 Page 50
Sections 5(a)(14) and (15)	Peer Reviews of USDA-OIG	Page 25
Section 5(a)(16)	Peer Reviews Performed by USDA-OIG	Page 25

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

- a. performance measures,
- b. participation on committees, working groups, and task forces,
- c. recognition (awards received),
- d. program improvement recommendations,
- e. FOIA results, and
- f. hotline complaints results.

National Defense Authorization Act for FY 2008

Section 845	Contract Audit Reports with Significant Findings	Appendix A.4 Page 30
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Gauging the Impact of OIG

Measuring Progress Against the OIG Strategic Plan

The first way we gauge our impact is by measuring the extent to which our work focused on the key issues under our strategic goals. These are:

- Strengthen USDA's ability to implement 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 benefits to individuals.
- Support USDA in implementing its management improvement initiatives.

Impact of OIG Audit and Investigative Work on Department Programs

A second way we gauge our impact is 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 show:

- 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 show:

- indictments,
- convictions,
- arrests,
- total dollar impact (recoveries, restitutions, fines, asset forfeiture),
- administrative sanctions, and
- OIG Hotline complaints.

Performance Results Total Under Our Strategic Goals

Performance Measures	FY 2014 Actual	FY 2015 Target	FY 2015 1st Half Actual
OIG direct resources dedicated to critical-risk and high-impact activities.	95.3%	94%	95.2%
Audit recommendations where management decisions are achieved within 1 year.	94.2%	92%	93.1%
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%	87.2%
Closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.	81.5%	70%	82.7%

Peer Reviews and Outstanding Recommendations

Peer Reviews and Outstanding Recommendations

Peer Reviews of USDA-OIG

Audit

During the current reporting period, there were no peer reviews conducted of USDA-OIG's audit organization. USDA-OIG received a grade of pass, the best evaluation an audit organization can receive, in the most recent report on its peer review conducted by the Environmental Protection Agency-OIG in November 2012. In that report, there were no recommendations. In the letter of comment accompanying that report, however, there were three recommendations, which we have fully implemented.

Investigations

During the current 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 CIGIE's Quality Standards for Investigations.

As a result of the review, TIGTA made four recommendations. We anticipated three of the recommendations made 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 have conducted a comprehensive review of all directives and policies associated with its operation, which will incorporate these changes. When completed, this will address three of TIGTA's recommendations.

The fourth recommendation pertained to the Office of Compliance and Integrity (OCI), which does not fall under the Office of Investigations. OCI is an independent internal affairs office which is specifically positioned outside of Investigations in order to enhance OCI's independence and objectivity. This structure enables OCI to objectively conduct its internal affairs investigations and quality assurance reviews of all OIG operations. As such, OCI does not fall within the scope of an Office of Investigations peer review. Although OCI is not situated within Investigations, the fourth recommendation suggested an external peer review of OCI by another OIG. Although this recommendation is beyond the scope of an external peer review of Investigations, OCI is voluntarily undergoing a peer review by another similarly structured OIG internal affairs office. This peer review will be completed in the next semiannual reporting period.

Peer Reviews Performed by USDA-OIG

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 current 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 Office of Inspector General's 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 during 2014. Our review found the 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 was identified; specifically, USPS-OIG investigative reports did not consistently include a clear and concise statement of the applicable law, rule, or regulation that was violated. The peer review team recommended including such a statement in all reports of investigation. Based on our recommendation, USPS-OIG agreed to review its policy for maintaining such information in its case files.

Appendix A—Audit Tables

Appendix A.1 SUMMARY OF AUDIT ACTIVITIES—OCTOBER 1, 2014 THROUGH MARCH 31, 2015

Reports Issued: 14	Audits Performed by OIG	10
	Audits Performed Under the Single Audit Act	0
	Audits Performed by Others	4 ^a
Management Decisions Made: 203	Number of Reports	18
	Number of Recommendations	203
Total Dollar Impact (Millions) of Management-Decided Reports: \$113.9 million	Total Questioned/Unsupported Costs	\$67.9 ^{b, c}
	-Recommended for Recovery	\$5.8
	-Not Recommended for Recovery	\$62.1
	Funds to Be Put to Better Use	\$46
^a 1 of these 4 was performed as a Nonaudit Service, whose reports are not covered by Government Auditing Standards. ^b These were the amounts the auditees agreed to at the time of management decision. ^c The recoveries realized could change as auditees implement the agreed-upon corrective action plan and seek recovery of amounts recorded as debts due the Department.		

SUMMARY OF INTERIM REPORTS ISSUED—OCTOBER 1, 2014 THROUGH MARCH 31, 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 no Interim Reports during this reporting period.

Reports Issued: 0	Audits Performed by OIG	0
	Audits Performed Under the Single Audit Act	0
	Audits Performed by Others	0
Management Decisions Made: 2	Number of Reports	1
	Number of Recommendations	2
Total Dollar Impact (Millions) of Management-Decided Reports: \$8.3 million	Total Questioned/Unsupported Costs	\$8.3 ^{a, b}
	-Recommended for Recovery	\$0
	-Not Recommended for Recovery	\$8.3
	Funds to Be Put to Better Use	\$0
^a These were the amounts the auditees agreed to at the time of management decision. ^b 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.		

Appendix A.2—INVENTORY OF AUDIT REPORTS WITH QUESTIONED COSTS AND LOANS FROM OCTOBER 1, 2014 THROUGH MARCH 31, 2015

Category	Number	Questioned Costs and Loans		Unsupported Costs and Loans^a
Reports for which no management decision had been made by October 1, 2014. ^b	10	\$264,504,082		\$35,141,627
Reports which were issued during the reporting period.	2	\$38,626,794		\$0
Total reports with questioned costs and loans	12	\$303,130,876		\$35,141,627
Of the 12 reports, those for which management decision was made during the reporting period.	7	<i>Recommended for recovery</i>	\$5,769,247 ^c	\$3,065,114 ^d
		<i>Not recommended for recovery</i>	\$62,073,141	\$860,971
		<i>Costs not disallowed</i>	\$51,880,765	\$32,184,798
Of the 12 reports, those for which no management decision has been made by the end of this reporting period.	5	\$184,376,990		\$0

^aUnsupported values are included in questioned values.

^bCarried over from previous reporting periods.

^cThe amount recommended for recovery includes an additional \$969,267, identified subsequently to our audit work. This amount is not included in the \$184,376,990 balance reported at the end of this reporting period.

^dThe amount recommended for recovery includes an additional \$969,256, identified subsequently to our audit work. This amount is not included in the \$0 balance reported at the end of this reporting period.

**INVENTORY OF INTERIM REPORTS WITH QUESTIONED COSTS AND LOANS
FROM OCTOBER 1, 2014 THROUGH MARCH 31, 2015**

Category	Number	Questioned Costs and Loans		Unsupported Costs and Loans^a
Reports for which no management decision had been made by October 1, 2014. ^b	1		\$8,290,314	\$0
Reports which were issued during the reporting period.	0			
Total reports with questioned costs and loans	1			
Reports for which management decision was made during the reporting period.	1	<i>Recommended for recovery</i>	\$0	\$0
		<i>Not recommended for recovery</i>	\$8,290,314	\$0
		<i>Costs not disallowed</i>	\$0	\$0
Reports for which no management decision has been made by the end of this reporting period.	0		\$0	\$0
^a Unsupported values are included in questioned values.				
^b Carried over from previous reporting periods.				

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

Category	Number	Dollar Value	
Reports for which no management decision had been made by October 1, 2014. ^a	4	\$52,277,467	
Reports which were issued during the reporting period.	1	\$420,299	
Total reports with recommendations that funds be put to better use	5	\$52,697,766	
Of the 5 reports, those for which management decision was made during the reporting period.	4	<i>Disallowed costs</i>	\$45,997,766
		<i>Costs not disallowed</i>	\$0
Of the 5 reports, those for which no management decision has been made by the end of this reporting period.	1	\$6,700,000	
^a Carried over from previous reporting periods.			

Appendix A.4—Contract Audit Reports with Significant Findings

OIG is required by the National Defense Authorization Act for FY 2008 to list all contract audit reports issued during the reporting period that contained significant findings. OIG did not issue any such reports from October 1, 2014 through March 31, 2015.

Appendix A.5—Program Improvement Recommendations

A significant number of our audit recommendations carry no monetary value per se, but their impact can be immeasurable in terms of safety, security, and public health. They can also contribute considerably toward economy, efficiency, and effectiveness in USDA's programs and operations. During this reporting period, we issued 47 program improvement recommendations, and management agreed to implement a total of 159 recommendations that were issued this period or earlier. Examples of those issued this period include the following (see the main text of this report for a summary of the audits that prompted these recommendations):

- USDA and the Assistant Secretary for Administration should more closely monitor OAO's administration of the Section 2501 Program for grant funding to ensure that it is better managed.
- APHIS should determine if it can revise its inspection criteria for active research facilities so that it can better focus its limited resources on facilities that use, handle, or transport animals.
- OCIO needs to finalize and implement the strategy for developing an enterprise-wide continuous monitoring plan.

Appendix A.6—Audit Reports and Nonaudit Services

From October 1, 2014 through March 31, 2015, OIG issued 13 audit reports and 1 report performed as a nonaudit service. During this same period, no interim reports were issued. The following is a summary of those audit products by agency:

AUDIT REPORT TOTALS

Total funds that can be put to better use	\$420,299
Total questioned costs and loans ^a	\$38,626,794
^a Unsupported values of \$0 are included in the questioned values.	

INTERIM REPORT TOTALS

Total funds that can be put to better use	\$0
Total questioned costs and loans ^a	\$0
^a Unsupported values of \$0 are included in the questioned values.	

SUMMARY OF REPORTS INCLUDING AUDITS AND NONAUDIT SERVICES RELEASED FROM OCTOBER 1, 2014 THROUGH MARCH 31, 2015

Agency Type	Reports Released	Questioned Costs and Loans ^a	Unsupported Costs and Loans ^a	Funds To Be Put To Better Use
Single Agency Audit	9	\$38,626,794	\$0	\$420,299
Multi-Agency Audit	5	\$0	\$0	\$0
Total Completed Under Contract ^b	4			
Issued Audits Completed Under the Single Audit Act	0			
^a Unsupported values are included in the questioned values.				
^b Audits and nonaudit services performed by others, which are included in Single Agency and Multiagency total.				

**SUMMARY OF INTERIM REPORTS RELEASED FROM OCTOBER 1, 2014
THROUGH MARCH 31, 2015**

Agency Type	Interim Released	Questioned Costs and Loans^a	Unsupported Costs and Loans^a	Funds To Be Put To Better Use
Single Agency Audit	0	\$0	\$0	\$0
Multi-Agency Audit	0	\$0	\$0	\$0
Total Completed Under Contract ^b	0			
Issued Audits Completed Under the Single Audit Act	0			

^aUnsupported values are included in the questioned values.

^bAudits performed by others.

Reports Released and Associated Monetary Values from October 1, 2014 through March 31, 2015:

Totals By Agency	Report Number	Report Type ^a	Release Date	Title	Questioned Costs and Loans	Funds To Be Put To Better Use
Animal and Plant Health Inspection Service: 1	33601-0001-41	PA	12/09/2014	APHIS Oversight Of Research Facilities		\$420,299
Commodity Credit Corporation: 1	06401-0004-11	FA	11/07/2014	Commodity Credit Corporation's Financial Statements for FY 2014 and 2013		
Departmental Management: 1	91099-0003-21	PA	03/26/2015	Section 2501 Program Grants Awarded FY 2010-2011	\$38,200,000	
Farm Service Agency: 1	03702-0001-32	PA	12/10/2014	Livestock Forage Program	\$426,794	
Food And Nutrition Service: 1	27401-0004-21	FA	11/07/2014	Food And Nutrition Service FY 2014 and 2013 Financial Statements		
Forest Service: 1	08601-0001-31	PA	03/12/2015	Forest Service Oversight and Compliance Activities		
Multi-agency: 5	50024-0001-13	PA	03/13/2015	Review of The Department's U.S. Bank Purchase Card and Convenience Check Data		
	50099-0002-12	NAS	03/20/2015	Assessment of USDA's Contracting Officers' Representatives		
	50401-0007-11	FA	12/18/2014	Department of Agriculture's Consolidated Financial Statements for FY 2014 and 2013		
	50401-0008-11	FA	12/19/2014	Department of Agriculture's Closing Package Financial Statements For FY 2014 and 2013		
	50501-0006-12	PA	11/07/2014	FY 2014 Federal Information Security Management Act		
Natural Resources Conservation Service: 1	10401-0004-11	FA	11/13/2014	FY 2014 NRCS Financial Statements		
Risk Management Agency: 1	05401-0004-11	FA	12/18/2014	Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements For FY 2014 and 2013		
Rural Development: 1	85401-0004-11	FA	11/07/2014	Rural Development's Financial Statements For FY 2014 and 2013		
GRAND TOTAL: 14					\$38,626,794	\$420,299

^a Performance Audits (PA), Financial Audits (FA), and Nonaudit Services (NAS).

INTERIM REPORTS RELEASED AND ASSOCIATED MONETARY VALUES FROM OCTOBER 1, 2014 THROUGH MARCH 31, 2015

No Interim Reports were issued for this period.

Appendix A.7—Management Decision

In total, OIG has five audits without management decision that were issued prior to the start of this reporting period. Their details are provided in the tables below:

Audit Reports Previously Reported But Not Yet Resolved

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt Decision (in dollars)
FNS	07/31/13	FNS: Controls for Authorizing Supplemental Nutrition Assistance Program Retailers (27601-0001-31)	\$77,300,000	\$65,300,000
FSA	07/31/14	Economic Adjustment Assistance to Users of Upland Cotton (03601-0002-22)	\$2,418,897	\$1,518,068
Multi	11/15/11	FY 2011 Federal Information Security Management Act Report (50501-0002-12)	\$0	\$0
	09/26/14	CIGIE Cloud Computing Initiative—Status of Cloud-Computing Environment Within the USDA (50501-0005-12)	\$66,871,914	\$66,871,914
RMA	09/07/11	Citrus Indemnity Payments Resulting from 2005 Florida Hurricanes (05099-0029-At)	\$44,059,385	\$44,059,385
Total Previously Reported But Not Yet Resolved: 5				

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 March 31, 2015, by Agency

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Number Open		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
GRAND TOTAL			451	21	408	22
AGRICULTURAL MARKETING SERVICE						
01099000121	OVERSIGHT OF THE BEEF RESEARCH AND PROMOTION BOARD'S ACTIVITIES	03/29/2013	1		1	
01601000232	NATIONAL ORGANIC PROGRAM--ORGANIC MILK OPERATIONS	07/15/2013	4		1, 2, 4, 5	
50601000231	FSIS' AND AMS' FIELD-LEVEL WORKFORCE CHALLENGES (Multi-agency audit)	07/31/2013	9		2, 3, 4, 8, 9, 10, 11, 23, 26	
TOTAL			14		14	
ANIMAL AND PLANT HEALTH INSPECTION SERVICE						
33601000123	PLANT PROTECTION AND QUARANTINE PRECLEARANCE OFFSHORE PROGRAM	09/24/2014	14		1, 2, 3, 4, 5, 6, 7, 10, 11, 12, 13, 14, 15, 16	
33601000141	OVERSIGHT OF RESEARCH FACILITIES	12/09/2014	14		1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 14, 15	
336010003CH	SAFEGUARDS TO PREVENT ENTRY OF PROHIBITED PESTS AND DISEASES INTO THE UNITED STATES	02/20/2003	2		1, 16	
336010007CH	REVIEW OF CUSTOMS AND BORDER PROTECTION'S AGRICULTURAL INSPECTION ACTIVITIES	02/21/2007	1		1	
506010008TE	CONTROLS OVER APHIS ISSUANCE OF GENETICALLY ENGINEERED ORGANISMS RELEASE PERMITS	12/08/2005	3		1, 2, 3	
506010016TE	CONTROLS OVER GENETICALLY ENGINEERED ANIMAL AND INSECT RESEARCH	05/31/2011	1		2	
TOTAL			35	0	35	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Number Open		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
AGRICULTURAL RESEARCH SERVICE						
506010006TE	CONTROLS OVER PLANT VARIETY PROTECTION AND GERMPLASM STORAGE	02/10/2006	6		1, 2, 3, 5, 6, 9	
506010010AT	FOLLOWUP REVIEW ON THE SECURITY OF BIOHAZARDOUS MATERIAL AT USDA LABORATORIES	07/27/2005	1		2	
TOTAL			7	0	7	0
COMMODITY CREDIT CORPORATION						
064010020FM	MONITORING THE AUDIT OF CCC'S FISCAL YEAR 2005 FINANCIAL STATEMENTS	11/09/2005	1		12	
TOTAL			1	0	1	0
DEPARTMENTAL MANAGEMENT						
50024000113	REVIEW OF THE DEPARTMENT'S U.S. BANK PURCHASE CARD AND CONVENIENCE CHECK DATA (OPPM)	03/13/2015	5		1, 2, 3, 4, 5	
89901000113	REVIEW OF USDA CONTRACT DATABASES (OPPM)	09/25/2014	7		1, 2, 3, 4, 5, 6, 7	
91099000221	USDA STRIKEFORCE INITIATIVE (OAO)	09/25/2014	13		3, 5, 6, 7, 8, 9, 10, 11, 12	1, 2, 4, 13
91099000321	SECTION 2501 PROGRAM GRANTS AWARDED FYS 2010-2011	03/26/2015	9		1, 2, 3, 4, 5, 6, 7, 8, 9	
TOTAL			34	0	30	4

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Number Open		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
FOREIGN AGRICULTURAL SERVICE						
07601000122	PRIVATE VOLUNTARY ORGANIZATION GRANT FUND ACCOUNTABILITY	03/31/2014	11		1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11	
50601000122	EFFECTIVENESS OF FAS' RECENT EFFORTS TO IMPLEMENT MEASURABLE STRATEGIES ALIGNED TO THE DEPARTMENT'S TRADE PROMOTION AND POLICY GOALS	03/28/2013	5		1, 2, 3, 4, 5	
50601000216	SECTION 632 (a) TRANSFER OF FUNDS FROM USAID TO USDA FOR AFGHANISTAN	02/06/2014	2		1, 2	
50703000123	AMERICAN RECOVERY AND REINVESTMENT ACT, TRADE ADJUSTMENT ASSISTANCE FOR FARMERS PROGRAM	10/18/2013	14	9	1, 2, 3, 4, 5, 6, 7, 8, 11, 12, 13, 14, 15	
TOTAL			32	1	31	0
FOOD AND NUTRITION SERVICE						
27002001113	ANALYSIS OF FNS' SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM FRAUD PREVENTION AND DETECTION EFFORTS	09/28/2012	1		3	
27004000122	STATE AGENCIES' FOOD COSTS FOR THE FOOD AND NUTRITION SERVICE'S SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	09/25/2014	6		1, 2, 3, 4, 5, 6	
270990049TE	FOOD STAMP PROGRAM FOR HURRICANES KATRINA AND RITA	09/04/2007	1		1	
27601000123	NATIONAL SCHOOL LUNCH PROGRAM FOOD SERVICE MANAGEMENT COMPANY CONTRACTS	01/03/2013	9		1, 2, 3, 7, 8, 11, 12, 13, 15	
27601000131	FNS: CONTROLS FOR AUTHORIZING SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM RETAILERS	07/31/2013	20		1, 2, 3, 4, 5, 8, 12, 13, 14, 15, 16, 17, 18, 19, 20	6, 7, 9, 10, 11

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Number Open		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
FOOD AND NUTRITION SERVICE Cont'd						
276010012SF	REVIEW OF MANAGEMENT CONTROLS FOR THE CHILD AND ADULT CARE FOOD PROGRAM	11/18/2011	9		1, 2, 3, 4, 9, 11, 12, 13, 14	
276010016AT	FOOD STAMP EMPLOYMENT AND TRAINING PROGRAM	03/31/2008	1		1	
5060100014AT	EFFECTIVENESS AND ENFORCEMENT OF SUSPENSION AND DEBARMENT REGULATIONS IN THE U.S. DEPARTMENT OF AGRICULTURE	08/16/2010	3		11, 12, 14	
TOTAL			50	0	45	5
FOREST SERVICE						
086010001CH	EVALUATION OF FOREST SERVICE'S PROCESS TO OBTAIN AND GRANT RIGHTS-OF-WAY AND EASEMENTS	03/15/2012	1		2	
08601000131	FS OVERSIGHT AND COMPLIANCE ACTIVITIES	03/13/2015	6		1, 2, 3, 4, 5, 6	
086010055SF	FOREST SERVICE'S ADMINISTRATION OF SPECIAL USE PROGRAM	06/16/2011	1		17	
TOTAL			8	0	8	0
FARM SERVICE AGENCY						
030060001TE	1993 CROP DISASTER PAYMENTS- BROOKS/JIM HOGG COS., TX	01/02/1996	1	1A		
030060002SF	DISASTER ASSISTANCE PROGRAM-1994-FRESNO COUNTY, CA	03/29/1996	1	4		
030990181TE	FARM SERVICE AGENCY PAYMENT LIMITATION REVIEW IN LOUISIANA	05/09/2008	1	2		
03601000122	COMPLIANCE ACTIVITIES	07/31/2014	9		1, 2, 3, 4, 5, 6, 7, 8, 9	

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Number Open		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
FARM SERVICE AGENCY Cont'd						
03601000222	ECONOMIC ADJUSTMENT ASSISTANCE TO USERS OF UPLAND COTTON	07/31/2014	7		1, 2, 6, 7	3, 4, 5
036010007TE	EMERGENCY FEED PROGRAM IN TEXAS	09/18/1996	3	4A, 5B, 6A		
036010012AT	TOBACCO TRANSITION PAYMENT PROGRAM – QUOTA HOLDER PAYMENTS AND FLUE-CURED TOBACCO QUOTAS	09/26/2007	2	2, 6		
036010018CH	FARM SERVICE AGENCY FARM LOAN SECURITY	08/10/2010	1		2	
036010023KC	HURRICANE RELIEF INITIATIVE:LIVESTOCK INDEMNITY AND FEED INDEMNITY PROGRAMS	02/02/2009	2		4, 5	
036010028KC	BIOMASS CROP ASSISTANCE PROGRAM: COLLECTION, HARVEST, STORAGE AND TRANSPORTATION MATCHING PAYMENTS PROGRAM	05/30/2012	3	16, 21, 24		
03702000131	NONINSURED CROP DISASTER ASSISTANCE PROGRAM	09/29/2014	6		1, 2, 3, 4, 5, 6	
03702000132	FARM SERVICE AGENCY LIVESTOCK FORAGE PROGRAM	12/10/2014	10		1, 5, 6, 7, 8, 9, 10	2, 3, 4
500990011SF	NATURAL RESOURCES CONSERVATION SERVICE AND FARM SERVICE AGENCY: CROP BASES ON LANDS WITH CONSERVATION EASEMENT – STATE OF CALIFORNIA	08/27/2007	2	2, 6		
506010015AT	HURRICANE INDEMNITY PROGRAM – INTEGRITY OF DATA PROVIDED BY THE RISK MANAGEMENT AGENCY	03/31/2010	1	5		
TOTAL			49	14	29	6

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Number Open		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
FOOD SAFETY AND INSPECTION SERVICE						
24601000131	APPLICATION OF FSIS SAMPLING PROTOCOL FOR TESTING BEEF TRIM FOR <i>E. COLI</i>	05/09/2012	2		4, 5	
24601000141	FSIS – INSPECTION AND ENFORCEMENT ACTIVITIES AT SWINE SLAUGHTER PLANTS	05/09/2013	3		3, 8, 9	
24601000331	FSIS <i>E. COLI</i> TESTING OF BOXED BEEF	03/22/2013	2		9, 12	
506010006HY	ASSESSMENT OF USDA’S CONTROLS TO ENSURE COMPLIANCE WITH BEEF EXPORT REQUIREMENTS	07/15/2009	1		2	
50601000123	USDA CONTROLS OVER SHELL EGG INSPECTIONS	11/30/2012	2		3, 7	
TOTAL			10	0	10	0
NATIONAL AGRICULTURAL STATISTICS SERVICE						
26501000112	SECURITY REVIEW OF THE NATIONAL AGRICULTURAL STATISTICS SERVICE’S LOCKUP PROCEDURES	02/21/2014	7		3, 4, 6, 7, 11, 12, 17	
TOTAL			7	0	7	0
NATIONAL INSTITUTE OF FOOD AND AGRICULTURE						
TOTAL	NO AUDITS		0			

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Number Open		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
NATURAL RESOURCES CONSERVATION SERVICE						
10099000131	NRCS' ADMINISTRATION OF EASEMENT PROGRAMS IN WYOMING	09/27/2013	4		1, 2, 4, 7	
10401000311	NRCS' FINANCIAL STATEMENTS FOR FISCAL YEAR 2013	12/09/2013	2		3, 5	
10401000411	NRCS' FINANCIAL STATEMENTS FOR FISCAL YEAR 2014	11/13/2014	5		1, 2, 3, 4	5
10601000131	ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	07/24/2014	3		1, 2, 3	
106010004KC	NATURAL RESOURCES CONSERVATION SERVICE'S SECURITY PROGRAM	06/25/2009	2		8, 9	
10601000231	NRCS CONSERVATION EASEMENT COMPLIANCE	07/31/2014	11		1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11	
107030001AT	RECOVERY ACT-REHABILITATION OF FLOOD CONTROL DAMS	03/25/2013	2		1, 5	
107030001KC	NRCS AMERICAN RECOVERY AND REINVESTMENT ACT EMERGENCY WATERSHED PROTECTION PROGRAM FLOODPLAIN EASEMENTS PHASE I	09/08/2010	1		4	
107030003KC	AMERICAN RECOVERY AND REINVESTMENT ACT, EMERGENCY WATERSHED PROTECTION PROGRAM FLOODPLAIN EASEMENTS, EASEMENT APPLICATIONS ON NON-AGRICULTURAL LAND	03/14/2012	1		2	
107030005KC	RECOVERY ACT-NRCS' EASEMENT WATERSHED PROTECTION PROGRAM FLOODPLAIN EASEMENTS FIELD CONFIRMATIONS	03/14/2013	1	6	0	
10704000132	NATURAL RESOURCES CONSERVATION SERVICE, MIGRATORY BIRD HABITAT INITIATIVE: NRCS' RESPONSE TO ISSUE CAUSED BY THE DEEPWATER HORIZON OIL SPILL	08/09/2012	1		1	
TOTAL			33	1	31	1

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Number Open		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
OFFICE OF THE ASSISTANT SECRETARY FOR CIVIL RIGHTS						
TOTAL	NO AUDITS		0			
OFFICE OF THE CHIEF FINANCIAL OFFICER						
50024000511	USDA IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010 COMPLIANCE REVIEW FOR FY 2013	04/15/2014	1		2	
50099000123	USDA'S CONTROLS OVER ECONOMY ACT TRANSFERS AND GREENBOOK PROGRAM CHARGES	09/18/2014	1		10	
50401000311	DEPARTMENT OF AGRICULTURE'S CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS 2012 AND 2011	11/15/2012	1		1	
50401000711	DEPARTMENT OF AGRICULTURE'S CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS 2014 AND 2013	12/18/2014	1		1	
TOTAL			4	0	4	0
OFFICE OF HOMELAND SECURITY AND EMERGENCY OPERATIONS						
61701000132	CLASSIFICATION MANAGEMENT	09/27/2013	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	Recommendation Number Open		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
OFFICE OF THE CHIEF INFORMATION OFFICER						
505010001IT	USDA'S MANAGEMENT AND SECURITY OVER WIRELESS HANDHELD DEVICES	08/15/2011	4		1, 2, 3, 4	
50501000112	USDA'S CONFIGURATION, MANAGEMENT, AND SECURITY OVER DOMAIN NAME SYSTEM SERVERS	04/19/2012	1		3	
50501000212	FISCAL YEAR 2011 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/15/2011	7		1, 2, 3, 4, 5, 7	6
505010002IT	FISCAL YEAR 2010 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/15/2010	10		3, 4, 5, 6, 7, 9, 10, 14, 18, 19	
50501000312	USDA, OFFICE OF THE CHIEF INFORMATION OFFICER, FY 2012 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/15/2012	6		1, 2, 3, 4, 5, 6	
50501000412	USDA, OFFICE OF THE CHIEF INFORMATION OFFICER, FISCAL YEAR 2013 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/26/2013	5		1, 2, 3, 4, 5	
50501000512	USDA'S IMPLEMENTATION OF CLOUD COMPUTING SERVICES	09/26/2014	7		1, 2, 4, 5, 6, 7	3
50501000612	USDA, OFFICE OF THE CHIEF INFORMATION OFFICER, FISCAL YEAR 2014 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/12/2014	2		1, 2	
505010015FM	FISCAL YEAR 2009 FEDERAL INFORMATION SECURITY MANAGEMENT ACT	11/18/2009	3		8, 9, 13	
88401000112	AUDIT OF THE OFFICE OF THE CHIEF INFORMATION OFFICER'S FY'S 2010 AND 2011 FUNDING RECEIVED FOR SECURITY ENHANCEMENTS	08/02/2012	3		1, 2, 4	

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Number Open		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
OFFICE OF THE CHIEF INFORMATION OFFICER Cont'd						
88501000112	REVIEW OF SELECTED CONTROLS OF THE EAUTHENTICATION SYSTEM	01/31/2013	1		5	
88501000212	MANAGEMENT AND SECURITY OVER USDA'S UNIVERSAL TELECOMMUNICATIONS NETWORK	07/17/2014	21		1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21	
885010001IT	INTERNATIONAL TECHNOLOGY SERVICES SELECTED CONTROLS AUDIT	03/20/2012	4		2, 3, 4, 5	
TOTAL			74	0	72	2
RURAL DEVELOPMENT						
04601000131	SINGLE FAMILY HOUSING DIRECT LOAN SERVICING AND PAYMENT SUBSIDY RECAPTURE	07/18/2014	12		1, 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14	
046010018CH	RURAL DEVELOPMENT'S RRH PROGRAM MAINTENANCE COSTS AND INSPECTION PROCEDURES	09/27/2012	6		1, 2, 3, 4, 5, 6	
047030002CH	CONTROLS OVER ELIGIBILITY DETERMINATIONS FOR SINGLE FAMILY HOUSING GUARANTEED LOAN RECOVERY ACT FUNDS (PHASE 2)	09/28/2011	23		3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 23, 25, 26, 27, 28, 29	
09703000122	RURAL UTILITIES SERVICE CONTROLS OVER RECOVERY ACT WATER AND WASTE LOANS AND GRANTS EXPENDITURES AND PERFORMANCE MEASURES	03/26/2013	2		1, 2	
09703000132	AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009- BROADBAND INITIATIVES PROGRAM-PRE-APPROVAL CONTROLS	03/29/2013	1		3	
9703000222	REVIEW OF A UTILITY COMPANY'S USE OF RUS FINANCIAL ASSISTANCE	08/14/2014	2		6, 7	

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Number Open		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
RURAL DEVELOPMENT Cont'd						
09703000232	AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009-- BROADBAND INITIATIVES PROGRAM--POST-AWARD CONTROLS	08/22/2013	1		3	
340990002AT	BUSINESS AND INDUSTRY LOAN PROGRAM OMNIVEST RESOURCES INC.	09/14/2001	1		6	
34601000131	RURAL BUSINESS-COOPERATIVE SERVICE GRANT PROGRAM-- DUPLICATION	03/25/2014	4		1, 2, 4, 5	
346010004AT	LENDER SERVICING OF B&I GUARANTEED LOANS	01/10/2003	5		1, 2, 3, 4, 7	
346010006AT	RURAL BUSINESS-COOPERATIVE SERVICE'S INTERMEDIARY RELENDING PROGRAM	06/25/2010	2	1	6	
346010015TE	NATIONAL REPORT ON B&I LOAN PROGRAM	09/30/2003	4		1, 2, 5, 9	
34703000132	AMERICAN RECOVERY AND REINVESTMENT ACT--BUSINESS AND INDUSTRY GUARANTEED LOANS-- PHASE 3	03/29/2013	3		1, 2, 6	
347030002TE	AMERICAN RECOVERY AND REINVESTMENT ACT--BUSINESS AND INDUSTRY GUARANTEED LOANS, PHASE 2	12/05/2011	2		2, 4	
TOTAL			68	1	67	0
RISK MANAGEMENT AGENCY						
050990027AT	CITRUS INDEMNITY DETERMINATIONS MADE FOR 2004 HURRICANE DAMAGES IN FLORIDA	03/26/2007	1	1		
050990029AT	CITRUS CROP INDEMNITY PAYMENTS FROM HURRICANE WILMA IN FLORIDA	09/07/2011	1			2

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Number Open		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
RISK MANAGEMENT AGENCY Cont'd						
05401000311	FEDERAL CROP INSURANCE CORPORATION/RISK MANAGEMENT AGENCY'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2013 AND 2012	12/12/2013	4		1, 2, 3, 4	
0540100011	FEDERAL CROP INSURANCE CORPORATION/RISK MANAGEMENT AGENCY'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2014 AND 2013	12/18/2014	3			1, 2, 3
05601000131	CONTROLS OVER PREVENTED PLANTING	09/03/2013	2		1, 2	
056010004AT	CROP INSURANCE FOR SPECIALTY CROPS	03/14/2001	2	1, 3		
056010015TE	CROP LOSS AND QUALITY ADJUSTMENTS FOR AFLATOXIN-INFECTED CORN	09/30/2008	1	1		
TOTAL			14	4	6	4

List of OIG Interim Reports with Recommendations Pending Corrective Action for the Period Ending March 31, 2015

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Number Open		
				Pending Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
RISK MANAGEMENT AGENCY						
05601000331(1)	RAINFALL AND VEGETATION INDEX PILOT PROGRAM-PASTURE, RANGELAND, FORAGE-INTERIM REPORT	09/11/2014	2		2	
TOTAL			2		2	

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

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 reassessed 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—OCTOBER 2014-MARCH 2015

Reports Issued: 147	Cases Opened	158
	Cases Referred for Prosecution	87
Impact of Investigations	Indictments	278
	Convictions ^a	389
	Searches	93
	Arrests	202
Total Dollar Impact (Millions): \$256.1	Recoveries/Collections ^b	\$75.6
	Restitutions ^c	\$120.6
	Fines ^d	\$44.9
	Asset Forfeitures ^e	\$6.6
	Claims Established ^f	\$7.2
	Cost Avoidance ^g	\$0.4
	Administrative Penalties ^h	\$0.8
Administrative Sanctions: 310	Employees	16
	Businesses/Persons	294

^a Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 389 convictions do not necessarily relate to the 278 indictments.

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

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

^d Fines are court-ordered penalties.

^e Asset forfeitures are judicial or administrative results.

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

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

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

Appendix B.2—Indictments and Convictions

From October 1, 2014 through March 31, 2015, OIG completed 147 investigations. We referred 87 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 278 indictments and 389 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 389 convictions do not necessarily relate to the 278 indictments. Fines, recoveries/collections, restitutions, claims established, cost avoidance, and administrative penalties resulting from our investigations totaled about \$256.1 million. The following is a breakdown, by agency, of indictments and convictions for the reporting period.

INDICTMENTS AND CONVICTIONS—October 1, 2014-March 31, 2015

Agency	Indictments	Convictions*
AMS	6	0
APHIS	3	13
FAS	4	0
FNS	222	342
FS	2	1
FSA	9	12
FSIS	11	6
GIPSA	1	0
NIFA	1	1
NRCS	2	0
RBS	1	3
RHS	7	8
RMA	7	3
RUS	2	0
Totals	278	389
* 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 1,954 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 first half of FY 2015.

NUMBER OF COMPLAINTS RECEIVED

Type	Number
Employee Misconduct	145
Participant Fraud	1,549
Waste/Mismanagement	201
Health/Safety Problem	9
Opinion/Information	50
Bribery	0
Reprisal	0
Total Number of Complaints Received	1,954*

*The OIG Hotline received over 95,000 contacts regarding opinions on the treatment of a circus elephant, not included in the total number of complaints received. We tracked all contacts under one Hotline complaint.

DISPOSITION OF COMPLAINTS RECEIVED

Method of Disposition	Number
Referred to OIG Audit or Investigations for Review	57
Referred to Other Law Enforcement Agencies	2
Referred to USDA Agencies for Response	364
Referred to FNS for Tracking	1,308
Referred to USDA or Other Agencies for Information—No Response Needed	199*
Filed Without Referral—Insufficient Information	22
Referred to State Agencies	2

*The OIG Hotline received over 95,000 contacts regarding opinions on the treatment of a circus elephant, not included in the total number of complaints received. We tracked all contacts under one Hotline complaint.

Appendix C—Freedom of Information Act Activities

Table C.1—FOIA and Privacy Act (PA) Requests for the period October 1, 2014-March 31, 2015

FREEDOM OF INFORMATION ACT (FOIA) AND PRIVACY ACT (PA) REQUESTS FOR THE PERIOD OCTOBER 1, 2014 THROUGH MARCH 31, 2015

Categories	Type	Number
FOIA/PA Requests Received/ Processed	FOIA/PA Requests Received	69
	Granted	4
	Partially Granted	18
	Not Granted	32
	Total FOIA/PA Requests Processed	54
Reasons for Denial	No Records Available	12
	Referred to Other Agencies	0
	Requests Denied in Full Exemption 5	1
	Requests Denied in Full Exemption 7(A)	11
	Requests Denied in Full Exemption 7(C)	3
	Request Withdrawn	4
	Fee-Related	1
	Not a Proper FOIA Request	0
	Not an Agency Record	0
	Duplicate Request	0
	Other	0
Requests for OIG Reports from Congress and Other Government Agencies	Received	4
	Processed	2
Appeals	Appeals Received	2
	Appeals Processed	2
	Completely Upheld	1
	Partially Reversed	1
	Completely Reversed	0
	Requests Withdrawn	0
	Other	0
	OIG Reports/Documents Released in Response to Requests	25

NOTE 1: A request may involve more than one report.

NOTE 2: During this 6-month period, 18 audit reports were posted online on the OIG Website: <http://www.usda.gov/oig>

Abbreviation	Full Name
AC	Animal Care
ABC	Alcoholic Beverage Control
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
AWA	Animal Welfare Act
CCC	Commodity Credit Corporation
CEO	Chief Executive Officer
CIGIE	Council of the Inspectors General on Integrity and Efficiency
COR	Contracting Officers Representative
DISASTER	Disclosing Aid Spent to Ensure Relief
DEA	Drug Enforcement Administration
DOL-OIG	Department of Labor-Office of Inspector General
EBT	Electronic Benefits Transfer
FBI	Federal Bureau of Investigation
FCIC	Federal Crop Insurance Corporation
FFMIA	Federal Financial Management Improvement Act
FISMA	Federal Information Security Management Act
FNS	Food and Nutrition Service
FOIA	Freedom of Information Act
FS	Forest Service
FSA	Farm Service Agency
FSAN	Financial Statement Audit Network
FSIS	Food Safety and Inspection Service
FY	Fiscal Year
GSA	General Services Administration
GIPSA	Grain Inspection, Packers, and Stockyards Administration
HACCP	Hazard Analysis and Critical Control Point
HIMP	HACCP Based Inspection Models Project
ICE-HSI	Immigration and Customs Enforcement-Homeland Security Investigations
IES	Investigative and Enforcement Services
IG	Inspector General
IPERA	Improper Payments Elimination and Recovery Act
IPIA	Improper Payments Information Act
IRS	Internal Revenue Service
IRS-CI	Internal Revenue Service-Criminal Investigation
IT	Information Technology
LFP	Livestock Forage Program
NIFA	National Institute of Food and Agriculture
NPIS	New Poultry Inspection System
NRCS	Natural Resources Conservation Service
OAO	Office of Advocacy and Outreach
OCFO	Office of the Chief Financial Officer
OCI	Office of Compliance and Integrity

Abbreviation	Full Name
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPPM	Office of Procurement and Property Management
PA	Privacy Act
RBS	Rural Business-Cooperative Service
RD	Rural Development
RHS	Rural Housing Service
RMA	Risk Management Agency
RUS	Rural Utilities Service
SARC	Semiannual Report to Congress
SNAP	Supplemental Nutrition Assistance Program
TANF	Temporary Assistance for Needy Families
TIGTA	Treasury Inspector General for Tax Administration
USDA	United States Department of Agriculture
USPS-OIG	United States Postal Service-Office of Inspector General
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children
WS	Wildlife Services

**EXAMPLES OF PROGRAM IMPROVEMENT RECOMMENDATIONS
MANAGEMENT AGREED TO
(159 TOTAL)**

- USDA and the Assistant Secretary for Administration should more closely monitor OAO's administration of the Section 2501 Program for funding grants to ensure that it is better managed.
 - APHIS should determine if it can revise its inspection criteria for active research facilities so that it can better focus its limited resources on facilities that use, handle, or transport animals.
 - OCIO needs to finalize and implement the strategy for developing an enterprise-wide continuous monitoring plan.
-

OIG's MISSION

OIG assists USDA by promoting effectiveness and integrity in hundreds of Department 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

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

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