

2012  
Explanatory Notes

OFFICE OF INSPECTOR GENERAL

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OFFICE OF INSPECTOR GENERAL

Purpose Statement

The Office of Inspector General (OIG) was established pursuant to the Inspector General Act of 1978 (5 U.S.C. app. 3). Its activities consist of two broad areas: audits and investigations.

The OIG appropriation funds activities which are authorized by the Inspector General Act of 1978 as amended. This Act expanded and provided specific authorities for the activities of the Office of Inspector General, which had previously been carried out under the general authorities of the Secretary of Agriculture. The Office of Inspector General:

- a. Provides policy direction and conducts, supervises, and coordinates all audits and investigations relating to programs and operations of the Department.
- b. Reviews existing and proposed legislation and regulations and makes recommendations to the Secretary and the Congress regarding the impact such initiatives will have on the economy and efficiency of the Department's programs and operations and the prevention and detection of fraud, waste, and mismanagement in such programs.
- c. Recommends policies for and conducts, supervises, or coordinates other activities in the Department whose purposes are to promote economy and efficiency or prevent and detect fraud, waste, and mismanagement.
- d. Recommends policies for and conducts, supervises, or coordinates relationships between the Department and other Federal, State, and local government agencies in: (1) promoting economy; (2) preventing and detecting fraud, waste, and mismanagement; and (3) identifying and prosecuting individuals and groups involved in fraud, waste, and mismanagement.
- e. Keeps the Secretary and the Congress fully and currently informed about fraud, waste, mismanagement, deficiencies, and other serious problems in Department programs and operations; recommends corrective action; and reports on the progress made in correcting problems.

OIG is headquartered in Washington, D.C., with regional offices in the following cities: Beltsville, Maryland; Atlanta, Georgia; Chicago, Illinois; Temple, Texas; Kansas City, Missouri; and San Francisco, California. As of September 30, 2010, OIG had 614 permanent full-time employees, including 187 employees located in the Washington, D.C., metropolitan area and 427 located in the field.

## OFFICE OF INSPECTOR GENERAL

Available Funds and Staff Years  
2010 Actual and Estimated 2011 and 2012

Item	Actual 2010		Estimated 2011		Estimated 2012	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses.....	\$88,297,139	593	\$88,725,000	600	\$90,755,000	600
Disaster Supplemental.....	708,956		35,000		35,000	
Recovery Act, Conservation*.....	6,859,863		6,549,446		4,072,122	
Unobligated Balance.....	427,861					
Total, Salary and Expenses .....	\$96,293,819	593	\$95,309,446	600	\$94,862,122	600
<u>Obligations under other</u>						
<u>USDA appropriations:</u>						
Risk Management Agency						
Audit of Financial						
Statements.....	370,138	--	370,138	--	370,138	--
Food and Nutrition Services						
Audit of Financial						
Statements.....	1,020,000	--	1,020,000	--	1,020,000	--
Rural Development						
Audit of Financial						
Statements.....	1,000,000	--	1,000,000	--	1,000,000	--
OCFO/WCF Audits.....	800,000	--	800,000	--	800,000	--
J. Young - Detail.....	53,961		54,000	--	54,000	--
Award for OIG Employee.....	1,500		--	--	--	--
Total, Other USDA						
Appropriations.....	3,245,599	--	3,190,138	--	3,190,138	--
Total, Office of Inspector						
General .....	99,539,418	593	98,499,584	600	98,052,260	600

\* Funds were appropriated in 2009

## OFFICE OF INSPECTOR GENERAL

Permanent Positions by Grade and Staff Year Summary  
2010 Actual and Estimated 2011 and 2012

Grade	2010			2011			2012		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Executive Level IV	1	--	1	1	--	1	1	--	1
Senior Executive Service	8	--	8	9	--	9	9	--	9
GS-15	15	17	32	15	13	28	15	13	28
GS-14	52	52	104	32	55	87	32	51	83
GS-13	27	176	203	29	160	189	29	161	190
GS-12	23	100	123	16	98	114	19	93	112
GS-11	12	7	19	13	44	57	16	43	59
GS-9	11	57	68	9	33	42	9	35	44
GS-8	6	9	15	10	8	18	10	9	19
GS-7	8	27	35	9	24	33	9	24	33
GS-6	2	1	3	0	4	4	1	5	6
GS-5	2	5	7	2	13	15	3	10	13
GS-4	1	4	5	0	3	3	1	2	3
Total Permanent Positions.....	168	455	623	145	455	600	154	446	600
Unfilled Positions end-of-year.....	19	-28	-9	--	--	--	--	--	--
Total, Permanent Full-Time Employment, end-of-year.....	187	427	614	145	455	600	154	446	600
Staff Year Estimate.....	166	427	593	145	455	600	154	446	600

## OFFICE OF INSPECTOR GENERAL

Size, Composition, and Cost of Motor Vehicle Fleet

The fiscal year (FY) 2012 budget estimate proposes that two additional GSA leased vehicles be added to the fleet of the Office of Compliance and Integrity.

The motor vehicles of the Office of Inspector General (OIG) are used for law enforcement purposes. These vehicles, which are issued to criminal investigators, are utilized in the pursuit and prevention of criminal activities, such as fraud in subsidy, price support, benefits, and insurance programs; significant thefts of Government property or funds; bribery; extortion; smuggling; and assaults on employees. In addition, the vehicles are used for investigations involving criminal activity that affects the health and safety of the public, such as meat packers knowingly selling hazardous food products and individuals who tamper with food regulated by USDA. In addition, OIG criminal investigators are poised to provide emergency law enforcement response to USDA declared emergencies and suspected incidents of terrorism affecting USDA regulated industries, as well as USDA programs, operations, personnel, and installations, in coordination with Federal, State, and local law enforcement agencies, as appropriate.

Replacement of passenger motor vehicles. Any replacements will be funded from within the annual operating costs of the motor vehicle fleet.

Impediments to managing the motor vehicle fleet. There are no identified impediments to managing the motor vehicle fleet in the most cost-effective manner.

Size, Composition, and Annual Cost  
(Dollars in thousands)

Fiscal Year	Number of Vehicles by Type*							Total Vehicles	Annual Operating Cost
	Sedans & Station Wagons	Light 4x2	Trucks 4x4	Medium Trucks	Heavy Trucks	Ambulances	Buses		
FY 2009	87	37	48	1	--	--	--	173	\$953
Change from 2009	7	-3	8	--	--	--	--	12	12
FY 2010	94	34	56	1	--	--	--	185	\$1,003
Change from 2010	3	-2	--	1	--	--	--	--	2
FY 2011	97	32	56	2	--	--	--	187	\$1,023
Change from 2011	2								2
FY2012	99	32	56	2	--	--	--	189	\$1,043

\*These numbers include vehicles that are owned by the agency and those leased from GSA.

OFFICE OF INSPECTOR GENERAL

Appropriation Language and

Explanation of Changes in Language

Office of Inspector General

For necessary expenses of the Office of Inspector General, including employment pursuant to the Inspector General Act of 1978, \$90,755,000, including such sums as may be necessary for contracting and other arrangements with public agencies and private persons pursuant to section 6(a)(9) of the Inspector General Act of 1978, and including not to exceed \$125,000 for certain confidential operational expenses, including the payments of informants, to be expended under the direction of the Inspector General pursuant to Public Law 95-452 and section 1337 of Public Law 97-98.

IG Reform Act of 2008

As directed by Section 8, submission of Budget Request to Congress, of the Inspector General Reform Act of 2008 (P.L. 110-409), USDA is providing additional information regarding the OIG budget request. The OIG request for FY 2012 is \$90,755,000. Of this amount, \$162,000 is to support training needs and \$455,000 is to support the Council of Inspector General for Integrity and Efficiency (CIGIE).

OFFICE OF INSPECTOR GENERAL

Lead-off Tabular Statement

Salaries and Expenses -- Current Law

Annualized Continuing Resolution, 2011.....	\$88,725,000
Budget Estimate, 2012.....	<u>90,755,000</u>
Change in Appropriation.....	<u>2,030,000</u>

Summary of Increases and Decreases -- Current Law  
(On basis of appropriation)

<u>Item of Change</u>	<u>2011 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>2012 Estimated</u>
Audit and Investigations.....	\$88,725,000	+0	+2,030,000	+90,755,000

Project Statement - Current Law  
(On basis of appropriation)

	<u>2010 Actual</u>		<u>2011 Estimated</u>		<u>Increase or Decrease</u>	<u>2012 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
1. Audit.....	\$43,265,598	303	\$43,475,000	306	\$995,000	\$44,470,000	306
2. Investigations.....	45,031,541	290	45,250,000	294	1,035,000	46,285,000	294
Unobligated Balance.....	+427,861						
Subtotal, Available or Estimate.....	<u>88,725,000</u>		<u>88,725,000</u>			<u>90,755,000</u>	
Disaster Supplemental.....	708,956		35,000			35,000	
Recovery Act.....	6,859,863		6,549,446			4,072,122	
Appropriation.....	<u>96,293,819</u>	<u>593</u>	<u>95,309,446</u>	<u>600</u>	<u>2,030,000</u>	<u>94,862,122</u>	<u>600</u>

## OFFICE OF INSPECTOR GENERAL

Justification of Increases and Decreases

An increase of \$2,030,000 for the Office of Inspector General consisting of:

- (a) A total increase of \$455,000 to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

The Inspector General Reform Act (Pub. L. 110-409) was signed by the President on October 14, 2008. Section 6(f) (1) of the Inspector General Act of 1978, 5 U.S.C. App. 3, was amended to require certain specifications concerning OIG budget submissions each fiscal year. This funding will specifically support coordinated government-wide activities that identify and review areas of weakness and vulnerability in Federal programs and operations with respect to fraud, waste and abuse. This increase of \$0.5 million is requested under the authority of the Inspector General Reform Act of 2008 to coordinate Federal efforts to improve program delivery.

- (b) An increase of \$162,000 to support Investigator training requirements.

This funding will support investigator training, which includes required Federal law enforcement training, training peer counselors for Critical Incident Stress Management, and continuing legal training. Under the Inspector General Reform Act, the Inspector General must certify OIG has funds necessary to satisfy all training requirements; this increase is needed to meet this requirement.

- (c) An increase of \$800,000 will enable OIG to conduct audits that would accurately project the extent of improper payments in USDA benefits programs.

The funds requested would be used in FY 2012 to support the additional field work involved in conducting audits that could, with statistical reliability, project the full dollar value of potential improper payments. Programs where statistical sampling could yield significant information on program-wide improper payments include Supplemental Nutrition Assistance, Crop Insurance, Pigford II, and Rural Development, which total about \$82 billion in expenditures each year.

With the funding available under its annual appropriation, OIG has only been able to provide audit coverage to USDA benefit programs by utilizing audits based on judgmental samples, rather than the statistically valid random samples necessary to support program-wide loss projections. Using judgmental samples has meant, for instance, that when performing an audit of a USDA loan program, OIG would determine which and how many local offices to visit and loan records to review based primarily on which sites it could visit to cover the greatest number of loan records at the lowest cost. When the audit was done, OIG could assess how the program was handled at the sites visited; OIG could not, however, use the information collected to reliably project the extent of improper payments in the program, nation-wide. So, while the use of judgmental samples enabled OIG to stretch its funds to cover audits of a greater number of USDA programs, it prevented OIG from reliably describing the full scope of improper payment problems that may exist in those programs.

Because of the additional oversight funding OIG received under the American Recovery and Reinvestment Act of 2009 (Recovery Act), OIG has recently been able to perform a number of audits based on fully random statistical samples. With the additional oversight funding, OIG was able to fund the additional staff hours and field work required to do random statistical sampling on audits of Recovery Act programs. The most notable example of OIG's work was the recent Recovery Act audit of Rural Development's Single Family Housing Guaranteed Loan Program. Because OIG utilized

random statistical sampling in determining the sites and records to be reviewed in this audit, OIG could with full statistical validity, use the information it had collected during field work to project its findings onto the universe of all loans issued under this Rural Development Recovery Act program. By using this statistical method, OIG projected that approximately one-third of the guaranteed loans issued, with a total value of approximately \$4 billion, may have been improperly issued in violation of Rural Development guidelines.

With the funds requested, OIG will be able to perform necessary and statistically valid audit work in other USDA programs even after OIG's Recovery Act oversight funding is expended (which it should largely be by the beginning of FY 2012).

- (d) An increase of \$613,000 will fund enhanced audit and investigations oversight of USDA's international programs.

Due to limited resources, OIG has not been able to perform significant oversight of USDA international programs for several years. OIG is seeking \$613,000 to cover the increased staff hours and travel costs necessary to perform additional audits and investigations of USDA international programs, which continue to grow in terms of dollars and strategic importance. Examples of international USDA programs where OIG would provide additional oversight include the following:

- USDA international assistance programs include \$2.3 billion for the Food for Peace Program and \$5.3 billion for the Export Credit Guarantee programs. OIG has not done significant audit work in these areas in several years.
- The McGovern-Dole International Food for Education and Child Nutrition Program was established in the 2002 Farm Bill. Even though USDA has provided almost \$600 million to this program since FY 2008, OIG has neither reviewed nor audited the program because we could not fund the international field visits necessary to conduct a meaningful review or audit.
- In the last few years, USAID has transferred approximately \$100 million to USDA to be spent supporting the reconstruction and strengthening of agricultural and rural infrastructures in foreign countries. Without the requested funds, OIG will not be able to provide the required oversight of the use of those funds.
- USDA's Export Credit Guarantee Programs would also benefit from greater OIG oversight. Currently, OIG has several ongoing investigations related to the above programs. These investigations are exceedingly costly and difficult to conduct because the subjects of the investigations are often located overseas. Limited funding restricts OIG's ability to conduct interviews or follow-up on information developed during such investigations.

OIG needs to increase its oversight role of USDA international programs to protect the integrity of the programs and prevent improper payment of funds. The need for OIG oversight of USDA international assistance programs will continue to grow as Congress and the Administration consider initiatives to reconstruct the agricultural and rural infrastructures of Iraq, Pakistan, and Afghanistan.

OIG audits and investigations of USDA's international programs could protect the integrity of the programs and prevent improper payment of funds by identifying necessary improvements in program internal control procedures and by identifying individuals and businesses who have attempted to defraud USDA programs – who could then be suspended or debarred from continuing to do business with any U.S. Government agency, and potentially be prosecuted criminally and/or civilly.

## OFFICE OF INSPECTOR GENERAL

Geographic Breakdown of Obligations and Staff Years  
2010 Actual and Estimated 2011 and 2012

	2010		2011		2012	
	Staff Amount	Years	Staff Amount	Years	Staff Amount	Years
California.....	\$9,082,842	61	\$9,021,000	61	\$9,075,000	60
District of Columbia.....	20,845,868	140	20,555,000	139	21,630,000	143
Georgia.....	11,316,328	76	10,794,000	73	11,042,000	73
Illinois.....	9,827,338	66	10,352,000	70	10,588,000	70
Maryland.....	9,976,237	67	12,126,000	82	12,252,000	81
Missouri.....	18,016,786	121	18,188,000	123	18,454,000	122
Texas.....	9,231,740	62	7,689,000	52	7,714,000	51
Subtotal, Available or Estimate.....	88,297,139	593	88,725,000	600	90,755,000	600
Unobligated Balance....	+427,861					
Disaster Supplemental..	708,956		35,000		35,000	
Recovery Act.....	6,859,863		6,549,446		4,072,122	
Total, Available or Estimate .....	96,293,819	593	95,309,446	600	94,862,122	600

OFFICE OF INSPECTOR GENERAL  
Salaries and Expenses

Classification by Objects  
2010 Actual and Estimated 2011 and 2012

Personnel Compensation:	<u>2010</u>	<u>2011</u>	<u>2012</u>
Washington, D.C. ....	\$7,698,242	\$8,863,000	\$8,850,000
Field.....	43,623,370	49,932,000	50,884,000
<hr/>			
11 Total personnel compensation.....	51,321,612	58,795,000	59,734,000
12 Personnel benefits.....	18,351,556	17,488,000	18,330,000
13 Benefits for former personnel.....	11,330	21,000	24,000
	<hr/>	<hr/>	<hr/>
	69,684,498	76,304,000	78,088,000
Other Objects:			
21 Travel.....	5,353,703	4,144,000	4,476,000
22 Transportation of things.....	142,134	152,000	157,000
23.1 Rental payments to GSA.....	61,108	65,000	68,000
23.2 Rental payments to others	363,498	481,000	506,000
23.3 Communications, utilities, and miscellaneous charges.....	1,562,418	1,240,000	1,218,000
24 Printing and reproduction.....	162,660	158,000	155,000
25.1 Advisory and assistance services.....	974,883	665,000	654,000
25.2 Other services.....	1,414,886	849,000	996,000
25.3 Purchases of goods and services from Government accounts.....	1,579,891	1,113,000	1,057,000
25.4 Operation and maintenance of facilities.....	1,679,468	977,000	958,000
25.5 Research and development contracts.....	604,125	350,000	343,000
25.6 Medical care.....	142,842	97,000	96,000
25.7 Operation and maintenance of equipment.....	383,242	264,000	259,000
25.8 Subsistence and support of persons.....	71,288	49,000	48,000
26 Supplies and materials.....	916,729	737,000	674,000
31 Equipment.....	3,180,546	1,042,000	964,000
42 Insurance & Indemnities.....	19,185	38,000	38,000
43 Interest & Dividends.....	35		
	<hr/>	<hr/>	<hr/>
Total other objects.....	18,612,641	12,421,000	12,667,000
Total direct obligations.....	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	88,297,139	88,725,000	90,755,000
<u>Position Data:</u>			
Average Salary, ES positions.....	\$159,000	\$160,000	\$179,000
Average Salary, GS positions.....	\$90,000	\$92,000	\$97,000
Average Grade, GS positions.....	12.7	12.8	12.9

OFFICE OF INSPECTOR GENERAL  
Salaries and Expenses

SUMMARY OF RECOVERY ACT FUNDING  
(On basis of appropriation)

<u>Program/Project/Activity</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Oversight of USDA Economic Stimulus Funding.....	\$6,859,863	\$6,549,446	\$4,072,122

**Program Implementation Activities**

The American Reinvestment and Recovery Act of 2009<sup>1</sup> (Recovery Act) provided OIG with \$22.5 million (to remain available until September 30, 2013) for “oversight and audit of programs, grants, and activities funded by this Act and administered by the Department of Agriculture.”

The overall objectives of OIG audit goals are to ensure (1) USDA Recovery Act-related programs are timely and effectively implemented; (2) proper internal control procedures are established; (3) program participants meet eligibility guidelines; (4) participants properly comply with program requirements; and (5) agencies establish effective compliance operations. The overall objective of OIG investigative goals is to ensure the integrity of USDA Recovery Act-related programs by (1) timely identifying potential fraud within those programs; (2) swiftly and efficiently investigating potential fraud; (3) prosecuting and seeking administrative action where warranted; and (4) implementing an effective and efficient whistleblower allegation investigation program for both complaints related to Recovery Act funds generally and reprisal complaints of non-Federal employees under Recovery Act authorities.

Immediately after the enactment of the Recovery Act in February 2009, OIG began conducting audits and investigations to ensure that we were providing timely and effective oversight of the Recovery monies provided for USDA programs. OIG-Audit, as of January 2011, has 78 ongoing and planned reviews in a number of areas, including farm loans, watershed protection, nutrition assistance, wildfire management, capital improvements and maintenance, and several rural development programs. To date, 27 reports have been issued. OIG’s Recovery Act 2011 Work Plan can be viewed on <http://www.usda.gov/oig/recovery/index.htm>.

**Performance Measures**

	Performance Data		
	<u>2010 Actual</u>	<u>2011 Target</u>	<u>2012 Target</u>
USDA agency managers notified of significant audit findings related to Recovery Act programs along with recommendations for corrective action within 30 days after identification.	83.3%	80%	80%
Recovery Accountability and Transparency Board sponsored requests and projects responded to within established schedules or agreed-to timeframes.	100%	85%	85%
An investigative determination to accept or decline an allegation of whistleblower retaliation is made within 180 days of receipt.	100%	100%	100%
Investigations staff participated in 10 Outreach/Training Meetings each quarter on Recovery Act work.	135%	80%	80%

<sup>1</sup> Public Law 111-5, enacted February 17, 2009

Whistleblower retaliation allegations are investigated and reported within 180 days of receipt.	100%	75%	75%
Monthly Recovery Act funds report submitted timely and accurately to the Recovery Board	N/A	100%	100%

The \$22.5 billion in funding received under the Recovery Act was administered to a number of areas within USDA, including farm loans, watershed protection, nutrition assistance, wildfire management, capital improvements and maintenance, and several rural development programs (such as rural housing, rural business, water and waste disposal, and broadband).

OIG's approach to auditing Recovery Act-funded programs involves three phases. In the first phase, which is complete, we reviewed USDA agencies' documented internal control procedures relating to Recovery Act programs. In the second – and current – phase, through field reviews, we are evaluating program delivery, reviewing participants' eligibility, and ensuring Recovery Act funds are being used for their intended purposes. In the third and final phase, we will evaluate program performance measures and how accomplishments and results are reported by USDA agencies.

For investigations, OIG has been working to ensure the integrity of Recovery Act programs by investigating allegations of potential fraud, preparing to conduct investigations, and implementing a whistleblower allegation program. We developed a two phase approach. As part of the first phase, we are increasing fraud awareness training for Federal, State, and local officials involved in the disbursement and administration of Recovery Act funding from USDA. In the second phase, we are assessing complaints and referrals OIG has received to ascertain if criminal investigations should be opened.

To date, we have issued 27 audits and 11 investigative Recovery Act Reports. Since providing timely information to agency program managers is a priority, we are also issuing short-turnaround reports, known as Fast Reports, so USDA program managers can take corrective action as soon as problems are identified. As of January 2011, we have issued 48 Fast Reports which are incorporated into formal reports once we complete our work.

On the investigative side, Investigations has participated in 90 meetings, outreach activities and training sessions with Federal, State, and local partners. They have also received 27 referrals relating to USDA Recovery Act contract awards and 44 hotline complaints. We have also opened four investigations based on specific allegations of Recovery Act related fraud and whistleblower reprisals.

OIG Recovery Act accomplishments reported during fiscal years 2009-2010 are available on the Office of Management and Budget's Web site, [www.recovery.gov](http://www.recovery.gov) and on OIG's Recovery Act Web site <http://www.usda.gov/oig/recovery/index.htm>. OIG activities planned and accomplishments reported are also included in our semiannual reports to Congress. Selected examples of our Recovery Act work follow:

Direct Farm Operating Loan Compliance Procedures. The Recovery Act authorized over \$173 million for FSA to fund direct farm operating loans. We evaluated FSA's policies, procedures, and internal controls in distributing Recovery Act funds. We determined that FSA's compliance review process could be improved to make timelier detections of ineligible borrowers. The current compliance procedures do not ensure that reviews of direct farm operating loans are performed during the early stages of the loan making process. In addition, given the relatively small number of Recovery Act-funded direct farm operating loans in the total population from which compliance review samples are drawn, there is no assurance that FSA will sample a sufficient number of Recovery Act-funded loans to provide adequate assurance as to the accountability and propriety of Recovery Act expenditures. We recommended that FSA revise compliance review sampling procedures to ensure that adequate samples of Recovery Act-funded loans are selected for review. FSA agreed with our recommendation and took immediate corrective action.

States' SNAP Fraud Detection. FNS' State agencies have the primary responsibility for monitoring recipients' compliance with program requirements, along with detecting and investigating cases of alleged intentional program violation. We evaluated FNS' State-level controls to mitigate SNAP fraud, an area related at least in part to FNS' increased Recovery Act funding. We determined that FNS performed reviews to evaluate how States managed

SNAP, however, the specific program target areas determined by FNS did not include coverage of State fraud detection units. Although FNS indicated that such reviews were unnecessary because States' annual activity reports gave the agency adequate fraud detection oversight, we found that the reliability of these reports' data was questionable and often unverified.

We also found that FNS and State agency officials relied on hotline complaints and outside referrals to identify SNAP fraud but did not use reports from electronic benefit processors that tracked participants' and retailers' activity to show potential fraud or misuse. FNS generally agreed with our specific findings and recommendations. The agency agreed to periodically review the benefits reports and to encourage States to use them to focus on SNAP fraud. Recovery Act.

Recovery Act Impacts on SNAP. When the Recovery Act was passed in February 2009, the estimated increase in SNAP benefits totaled more than \$19.8 billion through fiscal year 2013. This amount was also included in FNS' Recovery Act Plan, dated May 2009. Due to the lack of Departmental guidance, FNS did not report a significant change in budget estimates for SNAP in a timely manner. It did not report on its Recovery Act Website an additional \$28 billion that would be needed to fund SNAP through January 2019, even though the need for this additional funding was determined in June 2009. The need for this additional funding was determined in June 2009 when the agency developed estimates reported as part of the mid-session review of the budget of the U.S. Government. At that time, FNS did not report the need for increased funding for SNAP benefits on *Recovery.gov* or Websites maintained by the agency or USDA related to the Recovery Act. The amount of benefits funded through the Recovery Act further increased when estimated for the FY 2011 budget. According to FNS, Recovery Act funding for SNAP is estimated to total \$65.8 billion through FY 2019. We recommended that the Department establish a process for consistently and timely reporting changes in budget estimates for all USDA programs that received Recovery Act funding. The Department generally agreed with our finding and recommendation.

Single-Family Housing (SFH) Direct Loans Recovery Act Controls. As part of our review of SFH, we assessed the oversight and control Rural Development maintained over \$1.56 billion in Recovery Act-funded loans to buyers with very low incomes through its Section 502 SFH Direct Loan Program. We found:

- (1) RHS did not ensure that calculations supporting borrowers' eligibility were current before loan closing, which increased the risk of making an ineligible loan if a borrower's circumstances changed. RHS reviewers also did not document the scope and timing of their second-party reviews in loan files, which reduced assurance in the quality control process. We recommended that RHS ensure that supporting documents are updated before loan closing and that the scope and timing of reviews are specified.
- (2) Comprehensive State office reviews of loan-making and servicing were not being compiled and analyzed by RHS to obviate nationwide trends in control weaknesses or to track the effectiveness of corrective actions. We recommended, with RHS' overall concurrence, that the reviews be used for multi-year, national analyses and to train its State staff.
- (3) RHS was not using information in its loan database to reject loans to recipients who were ineligible because they were making more money than was allowed under program requirements. RHS concurred with our recommendations to update/correct its data and to implement systems identifying potentially ineligible recipients.

Controls Over Eligibility Determinations for the Single Family Housing Guaranteed Loans. The Recovery Act included over \$10 billion in funds to guarantee SFH loans in rural areas. Our preliminary analysis of the 100 loans identified 28 loans where lenders had not fully complied with Federal regulations or Recovery Act directives in determining borrower eligibility. We found borrowers with annual income that exceeded program limits; borrowers that did not meet repayment ability guidelines; borrowers who had the ability to secure credit without the need for a government loan guarantee; borrowers who obtained loan guarantees even though they already owned homes within their local commuting areas; and borrowers who purchased homes with swimming pools (prohibited by regulation). By providing loan guarantees to ineligible borrowers, the agency may have precluded other eligible borrowers from receiving loan guarantees that could have better achieved the goals of the Recovery Act. Based on the sample results, we estimate that 27,206 loans (over 33 percent of the portfolio) are ineligible with a projected total value of \$4.0 billion. We are 95 percent confident that between 18,206 (over 22 percent) and 36,207 (over 44 percent) loans were ineligible for one or more reasons and the total value of those loans is between \$2.5 and \$5.4 billion.

Review of the Effectiveness of the Department/Agency Data Quality. Maintaining data quality and reporting properly are key to ensuring that USDA, its agencies, programs, and recipients are transparent and accountable in their use of Recovery Act funds. In general, our audit concluded that the controls and the methodologies used differed significantly from agency to agency, resulting in errors and material omissions not being corrected. Our review of USDA's 3,065 awards identified 450 instances in which the recipient-reported award numbers on *FederalReporting.gov* did not match the agency-reported award numbers on USDA's control list, a discrepancy which OMB considers a significant error. The Office of the Chief Financial Officer (OCFO) has not implemented internal controls to ensure that agencies' monitoring efforts are consistent, effective, and complete, due partly to having only one staff member to monitor such issues and develop agency guidance. Accordingly, we recommended, with OCFO's agreement, that sufficient staff be assigned to develop a process to ensure proper reporting and consistent agency reviews.

Multiagency, Governmentwide Audit of Agency Recipient Reporting Controls. OIGs for six Federal agencies—the Department of Defense, the Environmental Protection Agency, the National Science Foundation, Department of Housing and Urban Development, the General Services Administration, and USDA—participated in this audit of recipient reporting controls in agencies throughout the Government. USDA OIG coordinated this audit for the Recovery Board. In general, we found that agencies had issued appropriate policies and procedures, but material omissions and significant errors were not identified or reported when agencies did not have internal controls to ensure that monitoring efforts were consistent, effective, and complete.

As appropriate at the agency level, it was recommended that agencies ensure all awards are reported accurately and that they review recipient data to identify material omissions and significant errors. At the overall Federal level, we recommended that the Recovery Board pursue discussions with the appropriate Government entities about (1) establishing a uniform, consistent Governmentwide award numbering system for Recovery Act recipients; (2) making suggested logic checks mandatory; and (3) issuing guidance for identifying significant omissions.

Recovery Act Reporting. We found that USDA has provided significant information and assistance to its agencies, but has not established an internal control structure with formal policies and procedures that provide a clear indication of departmental versus agency responsibility for determining the completeness and validity of recipient reporting. This audit focused on the internal controls, policies, and procedures for implementing recipient reporting requirements specified in OMB M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act (Recovery Act) of 2009*, dated June 22, 2009, which are the responsibility of USDA when dispersing Recovery Act funds. OMB's guidance calls for agencies receiving Recovery Act funds to implement a limited data review process to identify material omissions and/or significant errors and to notify the recipients of the need to make complete, accurate, and timely adjustments. OCFO agreed with our recommendation and issued guidance in October 2009.

Forest Service Wood-to-Energy Recovery Act Projects. FS received \$500 million for for Wildland Fire Management, of which up to \$50 million was made available for wood-to-energy grants. In reviewing FS' Recovery Act payments to grantees, we found several cases where FS approved payments without adequate documents to ensure expenditures and disbursements met Recovery Act and grant agreement requirements, such as disbursing funds for actual expenditures rather than anticipated expenses.

We determined FS disbursed funds for a grant recipient's payment requests without receiving adequate supporting documents to verify that previous disbursements were spent for authorized purposes. We also found that FS reimbursed a grant recipient \$1.4 million though records showed only \$160,882 had been spent. The recipient had a contractual obligation to pay a vendor the additional \$1.2 million, but the grant agreement specified that requests for payments should be based on actual cash disbursements. In addition, FS provided \$3.9 million in Recovery Act funds to grant recipients that did not maintain adequate documents to support pre-award costs. The grantees did not maintain documents supporting expenditures as required. In general, FS agreed with OIG recommendations to verify the expenditures against supporting documents, monitor requests more closely, and recover any improper payments.

## OFFICE OF INSPECTOR GENERAL

## STATUS OF PROGRAM

The Office of Inspector General (OIG) is operationally independent of other agencies of the Department. OIG has the responsibility to (1) supervise, coordinate, and provide policy direction for audit and investigative activities relating to programs and operations of the Department; (2) recommend policies and conduct, supervise, or coordinate other activities of the Department for the purpose of promoting economy and efficiency and preventing and detecting fraud, waste, and mismanagement in its programs and operations; (3) keep the Secretary and Congress informed of fraud and other serious problems, waste, and deficiencies relating to the administration of programs and operations of the Department; and (4) recommend corrective action and report on progress made in obtaining management's agreement to implement such action.

During fiscal year (FY) 2010, OIG issued 247 investigative reports and 65 audit reports. Audit and Investigative results totaled \$183.8 million. OIG investigations resulted in 356 indictments and 459 convictions. The period of time to get court action on an indictment varies widely; therefore, the 459 convictions are not necessarily related to the 356 indictments. Our return on investments is \$3.30 for every dollar invested in OIG.

Audit Monetary Results:

During FY 2010, management decisions were made on 65 audit reports, which include both current and prior year audit reports. At the time of the management decision, the monetary values agreed to by agencies were:

		<u>(in millions)</u>
Questioned and unsupported costs and loans		\$ 7.3
Recommended for recovery	6.7	
Not recommended for recovery	0.6	
Funds to be put to better use		<u>27.9</u>
Total audit monetary results		\$35.2

Investigative Monetary Results:

		<u>(in millions)</u>
Claims established		\$ 1.3
Recoveries and collections		14.9
Cost avoidance (USDA program payments not made due to OIG investigations)		0.5
Fines		2.3
Asset forfeitures		4.1
Administrative penalties		0.1
Restitutions		<u>125.4</u>
Total investigative monetary results		\$ 148.6

OIG's audit and investigatory work for FY 2010 is summarized below in four main challenge areas we have identified for USDA. These areas – (1) safety and security measures to protect public health and resources; (2) integrity of benefits and entitlements programs; (3) USDA's management improvement initiatives, and (4) stewardship of natural resources – serve as both a roadmap for OIG's audit and investigatory work and as the main groupings for this Status of Program Report.

**SAFETY, SECURITY, AND PUBLIC HEALTH** – Strengthen USDA's ability to implement safety and security measures to protect the public health as well as agricultural and Departmental resources.

USDA ensures, as a part of its mission, that the Nation's commercial supply of imported or domestic meat, poultry, and egg products is safe, wholesome, and correctly labeled. Challenges to this include food-borne illnesses and the unintentional or intentional adulteration of meat and other food products. Protection of America's animal and plant resources requires that they are safeguarded from exotic invasive pests and that trade issues relative to animal and plant health are resolved. However, the greater challenge is to ensure that the programs are working and properly administered so that the safety risk to those who consume the food products is minimized. The challenge is associated with ensuring a safe, secure, and healthy American agricultural system and economy.

Safety and security over computer and building assets are also a major concern within USDA to ensure accidental or intentional breaches are quickly identified and remedied. OIG must also immediately investigate, in cooperation with other appropriate law enforcement and regulatory agencies, when there are specific threats made against USDA employees in the performance of their official duties.

Highlights of current and planned OIG audits and investigations, as well as select examples of recent progress accomplished through OIG audits and investigations are described below:

Highlights of Current and Planned Audit Work:

Controls Over Shell Egg Inspections. We plan to evaluate USDA's controls over shell eggs to detect and report the presence of *Salmonella* or other contaminants. We also plan to evaluate USDA's coordination efforts with the Department of Health and Human Services' Food and Drug Administration (FDA). We will also evaluate the effectiveness of the controls over related information systems.

Food Emergency Response Network (FERN). This audit will evaluate the implementation of FERN to determine what progress FSIS has made in establishing capabilities for: (1) preventing attacks on the food supply; (2) preparing member (Federal, State, and local) laboratories to respond to food-related emergencies; (3) providing regional and national surge capacity for laboratories; and (4) assisting in recovery efforts to restore confidence in the food supply following a threat or emergency.

Country of Origin Labeling. We will determine if commodities covered under new labeling regulations (2009) indicate the country of origin as required. We will evaluate the adequacy and consistency of the oversight provided by Agricultural Marketing Service (AMS) personnel to ensure these requirements are met.

Organic Milk under the National Organic Program (NOP). This audit will evaluate AMS' controls to ensure that new NOP regulations (2010) on organic milk are properly implemented; certifying agents are complying with all NOP regulations; certified organic milk producers are meeting requirements; and dairy processors are not mixing organic and non-organic milk.

Food Safety and Inspection Service (FSIS) Inspection Personnel Shortages in Processing Establishments. Our review will determine what impact FSIS inspection personnel shortages at processing establishments are having on the agency's ability to ensure that the Nation's meat and poultry products are safe.

FSIS N-60 Testing Protocol for *E.Coli*. Our work will determine if FSIS has controls sufficient to ensure that recent changes made to its methodology are being followed by in-plant personnel and if these changes will enable FSIS to identify *E.Coli* before a recall is necessary. We will also examine the collection and analysis of meat samples for N-60 testing at selected slaughter plants and meat processing plants to verify that FSIS procedures are being followed.

Controls over Genetically Engineered Animal and Insect Research. Our review will determine: (1) which USDA agencies have oversight responsibilities for regulating genetically engineered animal and insect research, (2) whether current law and/or USDA regulations provide adequate authority to control genetically engineered animal/insect research, (3) the extent of activities in the Department and which agencies are involved, and (4) if agencies established sufficient controls to ensure genetically engineered animals/insects are not released into the environment.

Security over Wireless Hand Held Devices. We will determine if the security over remote access to USDA's information systems complies with the National Institute of Standards and Technology's guidelines (Special Publication 800-46). We will identify which agencies have effectively implemented remote access programs and ascertain how access is secured and which mechanisms are used.

#### Highlights of Current and Planned Investigations Work:

Food Safety and Defense. One of the most critical areas of our work involves protecting the safety of America's food supply, from farm to table. Among the specific tasks Investigations will concentrate on in regard to this goal are:

Training on Emerging Food Safety Issues. As resources permit, OIG Investigations will work with FSIS to ensure that training is developed on emerging food safety issues and provide this training to Investigations employees. We will explore alternative methods to deploy the training in an effective and cost-efficient manner. One topic we will address is the major food safety legislation which was recently enacted. While this law primarily affects the Food and Drug Administration, it may result in more referrals to OIG regarding potentially unsafe food production techniques and facilities by FDA's expanded inspection staff.

National Organic Program Violations. OIG Investigations will continue outreach with USDA agencies and State agriculture departments as appropriate to ensure appropriate notification to OIG when potential criminal violations are alleged in the National Organic Program.

#### Smuggling of Prohibited Items

OIG Investigations will aggressively investigate all allegations received involving the smuggling of prohibited poultry, meat, or other items into the United States that pose a threat to American agriculture and the safety of American consumers. Among the potential dangers caused by smuggled goods is the introduction of foreign plant and animal pests which have no natural enemies in the U.S. (e.g., the emerald ash borer and the Asian long-horned beetle) and which can result in devastating destruction of native species.

We will also investigate smuggling and other improprieties involving the export of adulterated or unsafe poultry, meat and other USDA-regulated items.

Homeland Security. OIG has an essential role in working with other governmental agencies to protect our nation's agricultural resources, as well as its meat and poultry production facilities and research laboratories.

Emergency Response Program (ERP). Within the next year, the Emergency Response Team (ERT), one of the components of the ERP, will meet all training and certification requirements to ensure a constant state of readiness in the event of an agriculture related incident. The ERT will continue to partner with other Federal agencies to ensure our interoperability with one another to act as a force multiplier in the event a response is necessary. The ERT will become more operationally proactive and use its highly specialized skills for the benefit of the Department and the public. Our ERT will also continue its active participation in the Federal Bureau of Investigations' Joint Interagency Agroterrorism Working Group to develop protocols and processes among the FBI, the Animal and Plant Health Inspection Service (APHIS), and OIG to facilitate a coordinated interagency response to an agroterrorism event. We will support the FBI's National Joint Terrorism Task Force (NJTTF) by continuing to supply resources to the national task force, as well as regional JTTFs.

Threats to USDA Employees and Facilities. We vigorously investigate threats or harm done to USDA employees and facilities, whether by a disgruntled employee, an unhappy USDA client, or individuals or outside organizations attempting to influence policy through intimidation or violence. We work with other cognizant Department and law enforcement agencies to proactively protect our employees and facilities and to investigate with speed and efficiency when USDA employees are threatened or harmed in the course of their duties.

Animal Fighting. We have continued to investigate dogfighting and cockfighting referrals, since such illegal activity threatens civil society in so many ways. In addition to the inhumanity of forcing animals to fight each other, often to the death, animal fighting also can potentially lead to transmission of serious animal and human diseases when animals are transported across State lines or smuggled into the United States for fighting purposes. It is also associated with other kinds of crimes, such as assaults, gambling, illegal drug possession, and illegal gun possession. We are working with other agencies to help them develop their own expertise in animal fighting investigations, which can often be successfully prosecuted under state law.

#### Selected Examples of Recent Progress – Audit:

Oversight of the National Organic Program. AMS officials made improvements to the National Organic Program (NOP) in response to our 2005 audit, including implementing a protocol for resolving conflicts with the National Organic Standards Board. However, further improvements are needed to ensure effective oversight of the program. NOP officials did not have adequate procedures or a system for tracking the receipt, review, and disposition of complaints and any subsequent enforcement actions. As a result, NOP did not issue an enforcement action against an organic operation that marketed nonorganic mint under USDA's organic label for 2 years. In another four cases, enforcement actions took between 7 and 32 months. During this time, the operations continued to improperly market their products as certified organic. Although 41 complaint cases had opened since 2004, only 22 were resolved by NOP officials within a reasonable timeframe. The remaining 19 complaints remained unresolved on average for 3 years. When we informed management, AMS officials issued a new complaint procedure and resolved all but 6 of the 19 complaints.

We also found that the California State Organic Program (SOP) is not equipped to properly enforce NOP requirements because of a lack of compliance and enforcement procedures. Despite being required to periodically test residue at organic operations under the Organic Food Production Act of 1990, AMS left it optional for certifying agents to test for residue. NOP officials also did not ensure consistent oversight of organic operations by certifying agents or provide adequate guidance to the certifying agents. Finally, NOP did not complete required onsite reviews at 5 of the 44 foreign certifying agents in a timely manner. AMS agreed to strengthen its enforcement procedures and to resolve and track complaints in a timely manner,

implement a plan for achieving compliance from California's SOP, obtain an Office of the General Counsel (OGC) opinion on residue testing, and strengthen oversight of certifying agents and operations.

National Residue Program for Cattle. A public food safety issue facing the United States is contamination with residual veterinary drugs, pesticides, and heavy metals in beef presented for slaughter and potentially consumed by the public. FSIS tests samples of meat processed through slaughter plants for residue and compares results to tolerances established by FDA and the Environmental Protection Agency (EPA). FSIS' National Residue Program (NRP) is not accomplishing its mission of monitoring the food supply for harmful residues. We found that FSIS, EPA, and FDA need to coordinate with one another to redefine their testing criteria and procedures to better identify residue before it enters into commerce. FSIS also needs to strengthen the program by requiring slaughter plants to increase controls when processing dairy cattle and bob veal (male calves). FSIS cannot readily identify the producers of cattle that have tested positive for residue, especially if the animal passed through several buyers and sellers. We also found that FSIS does not recall meat adulterated with harmful residue, even when it is aware that the meat has failed its laboratory tests. FSIS explained that it must be able to show acute harm from consuming a single serving of the meat and convince a U.S. Attorney to file for product seizure. We found that FSIS needs to modernize its process for sampling carcasses at slaughter plants and testing at its laboratories to make use of readily available technologies. FSIS agreed with our findings and recommendations.

Animal Care Program, Inspections of Problematic Dealers. The Animal and Plant Health Inspection Service (APHIS) inspection and enforcement activities were not adequate to deter dog dealers regulated by the Animal Welfare Act (AWA) from repeated violations that endangered animals. We visited many problematic dealers that had a history of violating AWA and found grave violations that jeopardized animals' welfare. For example, one dealer left a dog's bite wound untreated allowing the flesh to rot away to the bone. Despite the high rate of recurring violations, some inspectors did not correctly report repeat and serious violations. Further, APHIS did not make full use of its enforcement options—in many cases, issuing minimal penalties and misusing its penalty worksheet to assess inappropriately lowered fines. Instead of taking strong enforcement action, APHIS generally chose to try education and cooperation as tools to convince dealers to comply. In addition, a loophole in the pre-Internet AWA (passed in 1966) has allowed large Internet operations to sell animals without regulatory oversight. In general, APHIS agreed with our recommendations to propose that the Secretary of Agriculture seek legislative change allowing the agency to regulate Internet dealers, and to strengthen its AWA inspection, enforcement, and penalty procedures.

APHIS Administration of the Horse Protection Act and the Slaughter Horse Transport Program. APHIS lacks the resources and enforcement options necessary to ensure that show and slaughter horses receive proper protection. With a limited budget, inspectors can visit only about 6 percent of all horse shows each year to determine, for example, if horses' legs are purposefully hurt to accentuate their show gait (soring). Further, industry organizations sponsor shows and hire their own inspectors, which is a conflict of interest. APHIS also does not have an adequate system to ensure that horses sold for slaughter outside the United States are treated humanely during transport; for example, that pregnant or blind horses are not shipped. While violators face fines—\$5,000 per horse, per violation—they are ineffective because those who do not pay are still allowed to ship horses. In addition, APHIS cannot adequately link a slaughter horse to its owner or shipper because the tags can be applied by an owner to horses that weren't examined by a USDA accredited veterinarian and weren't fit to travel. To better protect show horses, we recommended that APHIS seek more funding and hire independent veterinarians as inspectors. APHIS agreed to revise its slaughter transport regulations to allow it not to issue shipping documents when the owner or shipper has unpaid fines and to ensure that it better controls tracking tags.

USDA Controls Over Animal Import Centers. APHIS' procedures for handling animals destined for quarantine need strengthening, including precautions taken when importing the animals into the country and bio-security conditions at the quarantine facilities. APHIS did not identify these weaknesses prior to our audit

because it did not exercise sufficient oversight to ensure import and quarantine requirements were implemented. As a result, there was a significantly increased risk that infected animals could enter the United States without being detected. In fact, we determined that infected animals had indeed entered the country and spread contagious diseases to other animals. In addition, the fees APHIS charges importers do not cover operating costs and capital improvements needed to make sure that quarantine facilities meet basic bio-security requirements. We recommended that APHIS implement supervisory reviews of its animal import process and biosecurity practices at ports-of-entry, animal import centers, and quarantine facilities. We also recommended that APHIS implement procedures for handling animal shipments safely, and review user fee calculations. APHIS generally agreed with our findings and recommendations.

APHIS Controls Over APHIS Licensing of Animal Exhibitors. APHIS needs to strengthen their inspection process to ensure that exhibitors comply with requirements for exhibiting dangerous animals. At 15 of 31 exhibitors we visited, there was not a safe distance between dangerous animals and the viewing public. Visitors at one facility were so close to an exhibited cougar that they could have reached into its cage. APHIS' safety guidance is worded broadly to allow for the particularities of different animals and different enclosures, but this ambiguity can lead to inconsistent safety standards. Accordingly, we recommended that APHIS clarify its guidance about safe distances and barriers, consult experts when needed, and implement procedures to ensure that inspectors review all public safety-related areas. We also found that APHIS did not have a system in place to document and disseminate details of dangerous animal escapes and subsequent corrective actions taken. We recommended, and APHIS agreed, that such a system would help its inspectors and other facilities evaluate safety features to better protect both exhibited animals and the public.

Forest Service (FS) Firefighting Succession Planning Process. FS faces a significant number of retirements over the next 5-10 years. It is estimated that 64 percent of its critical firefighting personnel will be eligible to retire by 2014. In assessing FS plans for recruiting, training, developing, and retaining those personnel who fill critical fire management positions, we found that FS had not taken the necessary steps to ensure that it has a sufficient number of qualified staff to meet its future wildland fire management responsibilities. FS did not have a national workforce plan or firefighter training program that ensured the continued availability of qualified personnel to meet its firefighting needs. With an average age of 45 and suboptimal training progress, many trainees will be almost eligible to retire by the time they qualify for the critical positions for which they are training. Furthermore, 40 percent of employees who take fire training never follow through to qualify for a firefighter position, a potential waste of \$12 million annually. FS' ability to effectively suppress wildfires is also challenged by a lack of participation from its firefighters because it does not require them to actually participate during wildfire events or reward them for doing so. In 2008, only 9 percent of FS' qualified firefighters actually took part in suppressing the agency's largest, costliest wildfires while the vast majority remained at home.

We also found that FS' ability to fight fires may soon be compromised if it continues to classify certain members of its fire management staff under a job series for natural resources management and biological sciences (GS-401). Although intended to increase safety by upgrading certain fire management staff's educational requirements, classifying these staff under the GS-401 series will likely have the opposite effect. FS generally agreed with the recommendations to correct these shortcomings.

FS Invasive Species Program. Invasive species are plants, invertebrates, vertebrates, and disease-causing pathogens which are not native to an ecosystem and whose introduction is likely to cause harm to the environment, the economy, or human health. As part of FS' mission to sustain the health, diversity and productivity of the Nation's forests and grasslands, the agency is responsible for preventing the introduction of invasive species into the lands in which it manages and further by combating those invasive species that have already been introduced. We found that the FS Invasive Species Program lacked many of the internal controls ordinarily associated with the effective stewardship of Federal funds, such as a proper control environment; an overall assessment of the risks posed by invasive species; effective control activities;

effective communication of relevant information within the agency; and adequate monitoring of the program's performance. These internal control problems have occurred because FS relies on functional areas and field units that operate independently of each other and multiple funding sources tied to 17 different budget line items. Consequently, FS can neither accurately gauge the effectiveness of its attempts to control invasive species, nor state with accuracy how much money it spent on the program overall or for a given species. In general, FS agreed with our conclusions that it needed to strengthen its control over the invasive species program, including our recommendations to establish program-wide policies for early detection and rapid response; document internal policies and procedures; establish cohesive management controls; implement controls for reporting funds spent fighting invasive species; and implement a monitoring plan to continually assess the program's overall internal controls.

Selected Examples of Recent Progress – Investigations:

Food Safety and Defense: Adulterated Food/False Organic Claims. In February 2010, the managing owner of an organic company in the Northern District of Texas was sentenced to serve 24 months of imprisonment, followed by 36 months of supervised release. During inspections conducted by the Texas Department of Agriculture (TDA) in 2006, he provided false statements and documents in order to conceal sales of 3,242,771 pounds of conventional milo, 132,000 pounds of conventional garbanzo beans, and 509,660 pounds of conventional pinto beans, which were represented as organic crops and sold to the company's customers in 2005 and 2006. As part of his sentence, he was also ordered to pay \$523,692 in restitution and is not allowed to participate in any USDA programs for the next 60 months.

Smuggling: Prohibited Poultry and Meat Products. Through a joint investigation conducted by USDA and the U.S. Department of Homeland Security OIGs, 20 importers were found to have smuggled prohibited poultry and meat products, including duck, wild snake, chicken feet, and suckling pig, commingled with other manifested products from China into the United States. The investigation, dubbed "Operation Foul Play," determined that this had been occurring between 2001 and 2007. The investigation led to the conviction of two individuals, one of whom pled guilty in February 2010 and was sentenced in May 2010 to 12 months of home confinement, fined \$1,000, and ordered to pay a special assessment of \$100.

Additionally, these efforts resulted in the imposition of \$6.7 million in administrative penalties over the course of the investigation. During the course of the operation, 1.1 million pounds of prohibited agricultural food products and 21,404 liters of prohibited liquid products were seized and destroyed. The illegal importation of these agricultural products has the potential of spreading diseases such as Exotic Newcastle Disease or highly pathogenic avian influenza, which pose a threat to the U.S. agriculture industry.

Smuggling: Export Violations. The owner and employees of a Houston, Texas, food company forged export certificates to send expired and non-expired food to Middle Eastern companies, including suppliers to U.S. troops, and conspired with a transport company to inflate charges for delivering food and other items. In April 2009, a former purchasing agent for the food company pled guilty to conspiracy charges and is awaiting sentencing. In December 2009, in the Southern District of Texas, the owner was sentenced to serve 24 months in jail and ordered to pay \$3.9 million in restitution. That same month, a contractor was sentenced to serve 36 months of probation and ordered to pay a \$2,000 fine and \$42,000 in restitution. In November 2010, the owner and his company entered into a civil settlement and agreed to pay \$13.2 million. This investigation was conducted jointly with the Defense Criminal Investigative Service and the U.S. Army Criminal Investigation Command-Procurement Fraud Unit.

Homeland Security: ERT and Agroterrorism Preparation. Recent agroterrorism exercises included "Rising Storm II" to prepare for a disaster such as a major hurricane in the New York City area; "Double Back," which simulated two intentional contamination scenarios in the Northeast; and a tabletop exercise that

simulated an agroterrorism event in Arkansas. Agents also belong to other regional working groups and are members of Anti-Terrorism Advisory Councils in a number of U.S. Attorney Districts.

Threats to USDA Employees. In April 2009, an off-duty OIG Special Agent (SA) confronted a suspect who had assaulted and robbed a neighbor of a person the agent was visiting in Blytheville, Arkansas. The suspect fired five shots at the SA and escaped. After the SA and another witness positively identified the suspect in a photo line-up, the local police department issued an arrest warrant and the suspect was arrested in Indiana five days later. The man was also wanted in connection with four other home invasions in Arkansas and is a suspect in an unsolved Arkansas murder case. In May 2009, the suspect was charged, in the Eastern District of Arkansas, with being a felon in possession of a firearm, attempted murder of a Federal law enforcement officer, and using a firearm during and in relation to a crime of violence. He was convicted on three felony counts in April 2010. While in another jail awaiting sentencing, the man told two new cellmates that he planned to kill the Federal prosecutor, her family, and the witnesses who testified against him at trial. He claimed to have a hit list, as well as a knife that he intended to use to stab the Assistant U.S. Attorney at the sentencing hearing. An 8-inch metal shank was found hidden in his mattress. In October 2010, the man was sentenced to 40 years in prison, followed by 5 years of supervised probation.

Threats to USDA Employees. In February 2009, OIG agents attempted to interview a former FSIS inspector at his residence. The subject, disgruntled by his recent termination from FSIS, made verbal threats to his former District Director. As the OIG agents approached the residence, he threatened them with a semiautomatic assault rifle. In March 2009, in the Southern District of Mississippi, he was charged with one count of threatening a Federal employee and three counts of assault on a Federal officer. In September 2009, he pled guilty to one count of assault on a Federal officer. In December 2009, he was sentenced to serve 11 months of incarceration and 24 months of supervised release, and ordered to pay a \$1,000 fine.

Animal Fighting: Dog Fighting. Twenty-six defendants pled guilty to conspiracy and/or engaging in dog fighting, and 21 were sentenced as part of what has been referred to as the largest crackdown on dog fighting in the United States. These defendants were among 28 people in 7 states who were indicted and arrested in or about July 2009, when OIG agents, with assistance from the FBI and the Missouri State Highway Patrol (MSHP), directed the simultaneous execution of more than 50 Federal search warrants in a multi-jurisdictional operation. The operation took months of intricate planning and the cooperation of over 100 Federal, State, and local law enforcement officers. Those arrested were indicted on charges of engaging in dog fighting and buying, selling, and breeding of dogs destined for the fighting rings. Guns, drugs, dogs, and stolen property were also seized during the raids. Many of those arrested had extensive prior criminal convictions. This reporting brings the sentencing totals to 9 sentenced to prison terms ranging from 6 to 24 months. Six others have been sentenced to serve between 24 and 36 months of supervised release. In addition, restitution and fines totaling more than \$260,000 were ordered.

**INTEGRITY OF BENEFITS AND ENTITLEMENTS PROGRAMS – Reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to program participants.**

USDA works to harness the Nation's agricultural abundance with a goal of ending hunger and improving nutrition and health throughout the country and the world. Benefit and entitlement programs in USDA include many programs that provide payments directly to those individuals or entities in need of support in order to achieve the goals of USDA. These benefit programs, which are extremely high in cost, are also very susceptible to misuse by organized groups and individuals.

In addition, USDA helps rural communities develop, grow, and improve the quality of life by targeting financial and technical resources to areas of greatest need. Programs include those that help build competitive businesses and community facilities and low-to moderate-income housing. Other programs establish and sustain agricultural cooperatives, and provide modern, affordable utilities. Again, there is great potential for

misuse of the funds that USDA administers by organizations and individuals. The challenge is associated with ensuring the integrity of USDA's entitlements and benefits programs, particularly those related to nutrition, farm programs, and rural communities.

Highlights of current and planned OIG audits and investigations, as well as select examples of recent progress accomplished through OIG audits and investigations are described below:

Highlights of Current and Planned Audit Work:

Vendor Monitoring and Participant Eligibility in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). We will evaluate vendor monitoring under WIC to assess implementation of new regulations and corrective actions regarding improper payments.

Biomass Crop Assistance Program. We will evaluate the Collection, Harvest, Storage, and Transportation Matching Payments Program under the Biomass Crop Assistance Program—newly established by the Food, Conservation, and Energy Act of 2008—to review eligibility and selection criteria and contract compliance.

Organic Crops under the Federal Crop Insurance Program. We will assess whether the Risk Management Agency (RMA) has established adequate controls over approved insurance providers (AIPs) that provide Federal crop insurance program coverage for organically produced crops.

Reducing Improper Payments. As mandated by Executive Order 13520, we are reviewing USDA agencies' quarterly reports related to their methodologies and plans to reduce improper payments.<sup>1</sup> OIG is assessing the level of risk associated with high-priority programs and determining the extent of oversight warranted.

Highlights of Current and Planned Investigations Work:

OIG Investigations continues to look into the most significant criminal violations involving benefits/entitlement fraud in the wide array of programs administered by USDA agencies. These include Rural Development programs intended to improve housing, business opportunities, and infrastructure for rural residents and rural communities; Farm Service programs that support not only farmers, but also new bioenergy businesses; Food and Nutrition Service (FNS) programs that operate in every county of the nation, including the largest cities; and many other kinds of programs. We will be especially alert to fraud involving the following programs:

Natural Disaster and Farm Programs Fraud. OIG Investigations will investigate allegations of criminal activity in USDA's disaster relief programs, especially in relationship to the Risk Management Agency's (RMA's) crop insurance programs and other Farm Service Agency (FSA) programs. In recent years, specific disasters, including hurricane, drought and flooding events, have resulted in relatively high-dollar special relief programs, often established relatively quickly, that may have unintentionally allowed unscrupulous individuals to obtain relief from more than one program. We will closely monitor the implementation of any new disaster relief programs and coordinate with our Regional Offices as appropriate to ensure that allegations of fraud are investigated. We will also work with appropriate agencies to pursue allegations of fraudulent activities in farming programs.

Food and Nutrition Service (FNS) Program Investigations, including the Supplemental Nutrition Assistance Program (SNAP). As SNAP is now distributing over \$50 billion in benefits annually,

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<sup>1</sup> Executive Order 13520, "Reducing Improper Payments and Eliminating Waste in Federal Programs" November 23, 2009.

Investigations will continue to use all available investigative tools to aggressively investigate SNAP fraud. We will leverage financial information and other tools, as well as explore trends in fraudulent SNAP activities by electronic benefit transfer (EBT), to help determine vulnerabilities, critical risks, and gaps in program controls. Whenever possible, we will use asset forfeiture to disrupt and dismantle organized SNAP fraud/money laundering activities. In addition, OIG Investigations continues to work with State and local law enforcement entities that have a joint interest, to investigate violations involving Special Supplemental Food Program for Women, Infants and Children (WIC)/Infant formula, the Child and Adult Care Food Program (CACFP), and other nutrition assistance programs administered by FNS. The WIC/Infant formula investigations often involve stolen infant formula that is relabeled and sold by unscrupulous wholesalers and retailers. The CACFP cases involve entities fraudulently over-reporting numbers of individuals receiving benefits at their respective facilities.

International Programs. As resources permit, OIG Investigations intends to develop a methodology to proactively look at fraud in international program areas.

#### Selected Examples of Recent Progress – Audit:

Effectiveness and Enforcement of Debarment and Suspension Regulations. Debarment and suspension are tools used by the Government to ensure that it does business with only responsible persons and entities. Suspensions and debarments actions are taken to prevent non-responsible persons or entities from doing business with the Federal Government. Our audit determined that USDA agencies were not suspending and debaring program participants when warranted to maintain program integrity and to protect the Government's interest.

USDA agencies have historically excluded the majority of its program appropriations from the requirements of suspension and debarment. Agencies indicated that these exclusions were in the public's best interest and consistent with statutes balancing program access. However, the agencies have provided no statutory language or program rationale that, in our analysis, justifies the exclusions. We maintain that the public's interest may be better served by ensuring the integrity of funds and programs by deterring others bent on misusing Federal funds and benefits. Accordingly, we recommended that USDA provide adequate statutory justification or acceptable program rationale for excluding programs from suspension and debarment. We continue to work with USDA to reach agreement on the corrective actions needed to address our recommendations.

Rural Business Cooperative Service – Intermediary Re-lending Program. Intermediaries receive low-interest loans that they, in turn, re-lend at higher rates in their communities to help create rural jobs. During our audit we found that 33 of 435 loans totaling \$7.9 million did not comply with program requirements, such as loan limit, purpose, or eligibility. In many cases, this occurred because intermediaries made the loans with "revolved" funds (money that loan recipients pay back to intermediaries), which they considered exempt from Federal requirements due to ambiguous regulatory language. We also determined that two of seven intermediaries did not promptly re-lend their revolved funds, totaling over \$1.7 million. Regulations required intermediaries to re-lend funds promptly, but did not provide a specific timeframe. Overall, the Rural Business-Cooperative Service (RBS) agreed with our recommendations to revise its regulations to clarify that revolved funds are subject to Federal requirements and to define prompt re-lending.

#### Selected Examples of Recent Progress – Investigations:

Rural Development – Broadband Loan Fraud. Two individuals and a company have been sentenced for their involvement in a scheme to fraudulently obtain disbursements from a \$3.3 million loan approved by Rural Utilities Service (RUS) in March 2002 for a West Virginia corporation to construct a fixed wireless

broadband system for areas in Ohio and West Virginia. The corporation then fraudulently disbursed RUS loan funds based on phony invoices submitted for payment and also paid loan funds to an Ohio company where former principals of the West Virginia corporation became employed after submitting their resignations.

Corporate officials, a board member, and the Ohio company were charged with a variety of crimes including mail fraud, theft or bribery, money laundering, aiding and abetting, perjury, and obstruction of justice. The Ohio company and two former officials of the West Virginia corporation pled guilty to money laundering conspiracy for their involvement in misappropriating more than \$2.4 million. The Ohio company was sentenced in May 2010 to 60 months of probation and ordered to pay restitution totaling \$1.5 million. The former chief operating officer of the West Virginia corporation was sentenced in April 2010 to 6 months of home confinement followed by 2 years of supervised release and was ordered to pay restitution of \$548,571. Also in April 2010, the former chief executive officer of the West Virginia corporation was sentenced to 18 months of imprisonment to be followed by 3 years of supervised release and was ordered to pay nearly \$850,000 in restitution. The former chairman of the board of the West Virginia corporation pled guilty to obstruction of justice for withholding information from investigators about the use of the fraudulently obtained funds and is awaiting sentencing. Sentencing is also pending for the chief financial officer of the Ohio company, who was found guilty of obstructing a Federal audit by intentionally providing false information. The matter was investigated jointly with IRS and the West Virginia Legislature Commission on Special Investigations.

FSA Fraud – Ponzi Grain Scheme. In September 2009, a Missouri woman who owned a large grain trucking and marketing company in the Eastern District of Missouri was charged with mail fraud, wire fraud, interstate transportation of stolen property, and conversion of property pledged to CCC. She pled guilty two months later, and, in February 2010, was sentenced to serve 108 months in Federal prison followed by 36 months supervised release, and ordered to pay \$27.4 million in restitution. Between 2002 and 2009, she marketed and sold grain for farmers at allegedly higher-than-market prices. As a result of the false representations, the woman quickly became one of the largest grain dealers/shippers in Missouri. Contrary to her claims, the woman could not guarantee higher-than-market prices for the farmers' grain. Operating what is referred to as a "Ponzi Scheme," the woman only sold the farmers' grain at market prices, and used the proceeds from subsequent grain transactions to pay the above-market prices she had previously quoted and promised to other farmers. Over time, the woman was unable to pay all farmers because insufficient funds were generated to actually make payment. She ultimately defrauded over 180 farmers out of \$27 - \$50 million in proceeds from grain sales. In addition, CCC was not paid following the sale of approximately \$481,417 worth of mortgaged grain made by the dealer. State fraud charges are still pending against the dealer.

FSA Fraud – Circumventing Payment Limits. Our investigation of a Yuma, Arizona, family-owned farm partnership disclosed that, from 2001 through 2004, nine individuals made false statements and conspired with one another to circumvent payment limitations in order to receive program payments from FSA. The managing partner established farming entities, in name only, involving the farmer's nieces and nephews and reported to FSA that they were actively involved in the farming operation when they were not. In April 2010, the partnership and its members agreed to collectively pay the Federal Government \$3.1 million to resolve allegations that they violated the False Claims Act by submitting false statements to FSA.

FSA Fraud – Bioenergy Program. Two owners of a bioenergy company in Mississippi were sentenced in Federal court for submitting false claims to defraud Commodity Credit Corporation (CCC) of almost \$2.9 million in connection with 2004 and 2005 bioenergy program payments. One owner was sentenced in July 2010 to 60 months of incarceration followed by 60 months of supervised release. The other owner was sentenced in September 2010 to 26 months of incarceration followed by 36 months of supervised release. Both were ordered to pay nearly \$2.9 million in restitution jointly and severally.

### SNAP EBT– Trafficking Fraud

Detroit Liquor Stores Laundered \$2 Million in Cash. An OIG investigation, conducted with IRS-CI, identified two Detroit area liquor stores engaged in SNAP benefit fraud and money laundering activities. From 2003 through 2006, store owners and employees trafficked more than \$2 million in SNAP benefits and deliberately structured hundreds of financial transactions in order to circumvent IRS reporting requirements. OIG and Internal Revenue Service-Criminal Investigations special agents utilized informants to conduct over 20 undercover operations at the store. The owner evidently knew he was being investigated, as he repeatedly told the informants, “I have to be careful, the IRS is watching me,” while completing fraudulent SNAP transactions. Four defendants were sentenced in February 2010, and were collectively ordered to serve over 90 months imprisonment and pay fines and restitution totaling approximately \$6 million. In addition, the defendants agreed to forfeit more than \$500,000 cash seized during search warrant operations. During March 2010, the owner was sentenced to 51 months incarceration and ordered to pay \$1.6 million in restitution to FNS.

Somali-owned Store in Michigan Transferred Funds Overseas. A joint investigation between OIG and the FBI identified a small Somali-owned store in Ypsilanti, Michigan, engaged in SNAP and WIC benefit trafficking. The defendants also operated an illegal overseas money transfer business, commonly known as “hawala,” through which they facilitated the exchange of SNAP and WIC benefits for cash and overseas money transfers. Of particular significance, the investigation determined that store owners and employees routinely allowed customers to use SNAP benefits to fund the transfer of money overseas, generally to persons located in the Middle East and the Horn of Africa. In September and November 2009, the owners pled guilty to over \$750,000 in SNAP and WIC fraud. They were sentenced to incarceration ranging from 18 to 30 months, and restitution from \$432,809 to \$718,743.

Miami Stores Trafficked Millions in SNAP Benefits. In Miami, Florida, we conducted a joint investigation with the City of Miami Police Department and found that individuals posing as owners of a grocery store were involved in SNAP benefit trafficking. Our analysis of financial data determined that the store’s fraudulent SNAP transactions totaled approximately \$5 million. One of the subjects opened a second store during the investigation. In December 2009, the store owner and other co-conspirators were indicted and subsequently arrested for conspiracy to commit wire fraud and SNAP fraud. Further investigation disclosed that a third store was also involved in SNAP trafficking totaling \$1.2 million. Between March and May 2010, four defendants pled guilty in U.S. District Court, Southern District of Florida, to conspiracy to commit wire fraud and SNAP fraud. They were sentenced to prison terms ranging from 8 to 48 months and ordered to pay restitution in amounts ranging from \$346,456 to \$2.2 million. On their release from prison, three of the defendants will surrender to immigration officials for deportation. Three additional defendants remain at large and are presumed to be in Guatemala and Jordan.

FNS – Child and Adult Care Food Program. A former Tuttle, Oklahoma, Child and Adult Care Food Program (CACFP) sponsor pled guilty to the theft of approximately \$1.6 million from the CACFP by submitting inflated claims for meal reimbursements over the course of several years. In January 2010, in the Western District of Oklahoma, the sponsor was sentenced to serve 41 months in prison and to pay \$1.6 million in restitution, as well as a \$100 fine. In addition, the former sponsor was ordered to forfeit all right, title, and interest in \$1.6 million in assets, including vehicles, residential and commercial property, and investment accounts, in an attempt to recover the stolen Food and Nutrition Service (FNS) funds.

MANAGEMENT IMPROVEMENT INITIATIVES – Support USDA in implementing its management improvement initiatives.

To strengthen management through more efficient program operations that offer improved customer service, OIG works with USDA agencies to ensure that the programs the agencies administer continue to (1) improve human capital and real property management; (2) improve financial management; (3) expand electronic government; (4) eliminate improper payments; and (5) enhance research and development criteria as it pertains to programs and agencies within USDA.

Highlights of current and planned OIG audits and investigations, as well as select examples of recent progress accomplished through OIG audits and investigations are described below:

Highlights of Current and Planned Audit Work:

Federally Authorized Research and Promotion Board Activities. We plan to evaluate the Agricultural Marketing Service's (AMS) oversight of over 18 federally authorized research and promotion boards for which the agency has responsibility. (Boards include Beef, Commodity, Cotton, Dairy, Egg, Fluid Milk, Avocado, Honey, Lamb, Mango, Mushroom, Peanut, Popcorn, Pork, Potato, Sorghum, Soybean, and Watermelon). Our audit will determine if AMS has adequate internal controls in place to ensure that the boards comply with all applicable legislation.

Child and Adult Care Food Program (CACFP) – Integrity Initiatives. We will determine if FNS has implemented corrective actions agreed to in a prior nationwide audit of CACFP. We plan to also evaluate the effectiveness of the correction active taken. To date we have completed fieldwork in three states (California, Texas, and New York) and at six CACFP sponsors. We determined that two of the three State agencies exhibited a lack of oversight which resulted in sponsors abusing the program.

USDA's Consolidated and Agencies' Financial Statements. We will conduct our annual audit of the FY 2011/2012 USDA consolidated financial statements and the financial statements of the six stand-alone agencies and entities—FNS, FS, the Natural Resources Conservation Service (NRCS), Rural Development agencies, the Federal Crop Insurance Corporation, and the Commodity Credit Corporation.

Federal Information Security Management Act Review. We will perform our mandated annual reviews for FY 2011 and 2012 of the security over USDA's IT resources to ensure that it complies with the Federal Information Security Management Act of 2002.

Deepwater Horizon. In compliance with the Federal government's commitment to rebuild/restore the damage resulting from the April 2010 oil spill in the Gulf of Mexico, the Office of Procurement and Property Management (OPPM) serves as USDA's representative on the National Response Team for Oil Spills (DM5600-001). We plan to review USDA's policies, responsibilities, reporting, oversight, and technical and logistical assistance related to the Department's response.<sup>2</sup> (Audit to be started)

Section 632(a) Funds. As mandated by Section 632(a) of the Foreign Assistance Act of 1961, we will monitor and evaluate agreed-upon controls established by USDA to ensure that funds transferred between the U.S. Agency for International Development and USDA are properly used.<sup>3</sup> (Audit to be started)

Highlights of Current and Planned Investigations Work:

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<sup>2</sup> Departmental Manual 5600-001, Environmental Pollution Prevention, Control, and Abatement.

<sup>3</sup> USAID will transfer approximately \$180 million to USDA to provide economic support for reconstruction and capacity building in Pakistan and Afghanistan.

OIG Investigations will support USDA in implementing its management improvement initiatives, focusing on areas such as IT security; the management of IT systems to mitigate inappropriate disclosure, modification, or deletion of data; and enhancement of Cyber Security through increased awareness of system security threats and risks. We are improving our internal management information system to enhance the efficiency and accuracy by which case files are developed and stored electronically, and also to improve the ability of Investigations staff across the country to make use of the information contained within the system. In addition, OIG Investigations is continuing its long and successful history of investigating public corruption, with our investigations leading to the prosecution and removal of USDA, State, and contractor employees who have defrauded USDA programs to obtain personal benefit.

National Computer Forensics Division (NCFD). OIG's NCFD is recognized within USDA as a leader and trusted resource in the area of computer forensics. As an authority in the investigation and analysis of network intrusions and attacks on USDA networks, the NCFD ensures that a thorough and accurate analysis of any network compromise is accomplished by analyzing servers, firewall logs, Intrusion Detection System (IDS) logs, and IP traffic logs. The NCFD will continue to support and enhance its ability to provide investigative technology assistance to ongoing investigations by securing and applying advanced cyber tools which will assist in obtaining and documenting evidence of an alleged crime. NCFD also participates in the Council of the Inspectors General on Integrity and Efficiency (CIGIE) IT committees and working groups and is a presence at the FBI Heart of America Regional Computer Forensics lab (HARCFL) in Kansas City, one of 15 labs throughout the U.S. which are hosted by the FBI and staffed with Federal, State and Local law enforcement personnel.

Public Corruption. OIG Investigations will continue to investigate allegations against current and former USDA employees who are alleged to have abused their positions, embezzled funds, stole property, misused government equipment, or violated ethics rules after leaving their positions.

Contract Fraud. OIG Investigations will continue to pursue contract fraud by ensuring that relevant training opportunities are offered to Special Agents. We will also actively investigate and work closely with USDA agencies to seek administrative actions, including suspension and debarment when warranted.

Participation in Financial Fraud Enforcement Task Forces (FFETF). USDA OIG is a member of the FFETF, a task force established by the President in November 2009 to combat Government procurement and grant fraud. The FFETF replaces the National Procurement Fraud Task Force, set up by DOJ in October 2006, to better allocate resources and improve coordination in procurement and grant fraud cases and otherwise to accelerate investigations and prosecutions. The FFETF is a broad coalition of Federal and State agencies bringing a wide array of enforcement tools to combat fraud.

#### Selected Examples of Recent Progress – Audit:

AMS' Purchases of Frozen Ground Beef. OIG identified significant opportunities for AMS to improve its controls in the following areas: (1) monitoring beef supplier and laboratory performance, (2) selecting product samples for more accurate representative testing, and (3) assessing the financial risks that USDA faces with large beef suppliers, including ways to mitigate these risks in a cost beneficial manner. Due to a beef supplier's bankruptcy, the agency was required to pay over \$13 million to cover the costs associated with the largest beef recall in U.S. history (20 million pounds). The agency generally agreed with our recommendations.

Assessment of USDA's Disaster Response Capabilities. USDA coordinates and supports disaster response as part of a wider Department of Homeland Security (DHS) plan to handle large-scale emergencies. DHS OIG provided 14 researchable questions related to DHS' National Response Framework Emergency Support

Function “Agriculture and Natural Resources” to be answered about USDA's preparedness (also a review guide adopted by Council of the Inspectors General on Integrity and Efficiency (CIGIE). We determined that the Department has appropriately fulfilled its assigned responsibilities. USDA's agencies with disaster response roles have also fulfilled their duties.

Hurricane Indemnity Program – Integrity of Data Provided by RMA. In May 2006, the Secretary of Agriculture authorized FSA's Hurricane Indemnity Program (HIP) to help producers who suffered crop losses during the 2005 hurricane season. FSA relied on crop insurance loss claim information maintained by RMA to determine which insured producers qualified for HIP. FSA could not change RMA's data, but approved insurance providers (AIPs) could. When AIPs make such changes, they are required to acquire and maintain supporting documents, such as statements from a loss adjuster and producer, which confirm that the changes are accurate. In August 2006, FSA discovered that AIPs were changing producers' causes of loss and dates of damage in RMA's database in order to retroactively qualify producers for HIP payments. FSA officials alerted RMA, which sent a list of 206 policies with cause of loss changes to the AIPs responsible and required them to certify to the changes' legitimacy and to provide supporting documentation. In total, AIPs made unsupported changes totaling over \$1 million. As a result of our audit work, we recommended that RMA review all supporting documentation provided by AIPs in response to the agency's requests for justification for loss claim changes, and that FSA recover any overpayments. In addition, we recommended that RMA and FSA implement policies that require interagency data-sharing agreements to include specific procedures and timeframes to resolve concerns, and to elevate matters to the appropriate official when timely resolution does not occur. Both FSA and RMA agreed with our recommendations.

Federal Information Security Management Act (FISMA) Report FY 2010. In the FY 2010 audit, we reported that while improvements have been made in the Department's information technology (IT) security in the last decade, many longstanding weaknesses remain. In the previous year's FISMA audit, we noted that in order to mitigate the continuing material weaknesses, the Department should rethink its policy of attempting to simultaneously achieve numerous goals in short timeframes. We recommended that the Department and its agencies, working in cooperation, define and accomplish one or two critical objectives prior to proceeding to the next set of priorities. During FY 2010, we saw some evidence of coordination; however, we did not observe that the Department was making measurable progress in approaching this problem collaboratively.

OIG continues to consider this change in direction the best course of action for the Department's IT security program. The FY 2010 FISMA report contained 19 recommendations, noting the areas where the Department needs to develop policy and/or procedures and enforce existing policies to ensure Agency compliance. The Office of the Chief Information Officer (OCIO) disagreed with many of the findings in this report; however, after further review of its response we maintained our position.

Statement on Auditing Standards No.70. In two separate reports, we determined that the description of controls by OCIO/National Information Technology Center (NITC), and by the National Finance Center (NFC), presented fairly, in all material ways, the relevant aspects of the controls in operation as of June 2010. Also, the controls included in the description were suitably designed and operating with sufficient effectiveness to provide reasonable assurance that associated objectives would be achieved.

USDA's Consolidated and Agencies' Financial Statements – FY 2010 Audit Opinions. The USDA Consolidated Financial Statement audit report, the Rural Development, Commodity Credit Corporation, FS, FNS, and RMA/Federal Crop Insurance Corporation Financial Statement audit reports were issued with unqualified opinions for FY 2010. The Natural Resources Conservation Service (NRCS) audit resulted in a disclaimer of opinion for FY 2010; however, the errors were determined not to be material to the USDA consolidated financial statements, taken as a whole.

The NRCS disclaimer of opinion was the result of NRCS management's inability to provide sufficient evidential matter in support of transactions and account balances, as presented in the NRCS consolidated financial statements as of and for the year ended September 30, 2010, particularly with respect to beginning net position balances and current year activity; recoveries of prior year obligations; obligations incurred, including accrued expenses and undelivered orders; leases; accounts receivable; unfilled customer orders; stewardship land; and the allocation of costs in the Statement of Net Cost. NRCS was not able to complete corrective actions and make adjustments, as necessary, to these and other financial statement amounts prior to the completion date of the FY 2010 financial statement audit.

The internal control reports over financial reporting identified two and eight significant deficiencies that were deemed to be material weaknesses for the consolidated USDA and six stand alone entities, respectively. No other significant deficiencies were reported on the consolidated internal control report. The stand alone entities reported 11 significant deficiencies. Additionally, the reports on compliance and other matters identified two and eight instances of noncompliance for the consolidated USDA and stand alone entities, respectively.

#### Selected Examples of Recent Progress – Investigations:

Public Corruption – Theft of Government Property. A joint investigation involving USDA OIG, GSA OIG, and other agencies found that a Federal Aviation Administration (FAA) employee and his brother illegally gained access to the GSA Excess Personal Property Transfer System and stole over 215 items belonging to the Government with a total value of approximately \$3 million. These items included an airplane, trucks, vehicles, and other items belonging to USDA; a U.S. Navy yacht, and other items belonging to various Federal agencies. In June 2009, one of the individuals was found guilty in Federal court of wire fraud and theft of honest services. He was sentenced to 54 months in prison, 3 years of probation, and restitution of \$239,688. In March 2010, the FAA employee pled guilty to wire fraud and theft of honest services. He was sentenced in June 2010 and received 42 months in prison, 3 years of probation, 100 hours of community service, and restitution totaling \$186,619. Also, in July 2010, the court ordered the forfeiture of the yacht and \$25,100 that were seized during the investigation.

Public Corruption – Misuse of Government Computer to Download Pornography. In October 2009, a Forester with the Forest Service pled guilty in U.S. District Court, Northern District of California, to attempted receipt of child pornography. The employee admitted to using his Government computer to solicit and purchase images of child pornography. He also admitted to storing images of child pornography on a personally owned computer. On January 12, 2010, he was sentenced to 70 months in Federal prison; 60 months supervised release, and a \$100 special assessment. This was a joint investigation with the U.S. Postal Inspection Service.

Public Corruption – Post-Employment Ethics Violation. In August 2006, shortly after leaving his position with USDA and while employed as a financial consultant working on behalf of a regional medical center, a former Rural Development (RD) State Director submitted an \$11 million community facilities loan application for the medical center to RD. In December 2009, in the Southern District of Mississippi, Jackson, the former RD State Director was sentenced on one count of violating post-employment conflict-of-interest restrictions on former employees of the Executive Branch. The court ordered him to serve 36 months probation and to pay a \$1,000 fine. As a special condition of his probation, he was ordered by the court for the first 12 months of his probation to have no direct communication with any Mississippi USDA office or agency.

Contract Fraud. USDA OIG and GSA OIG worked jointly to investigate a corporation that provides international IT and education training to business and government organizations. The corporation provided multiple computer software training courses and services to the Federal Government through a pre-paid

voucher system. Information developed from a prior investigation of a different company found evidence that this corporation improperly billed and collected payments from the Government for computer software training before providing the services and then kept millions of dollars for training services that were not actually provided from October 1996 through September 2007. Among the USDA agencies that paid for the corporation's services were APHIS, Agricultural Research Service (ARS), Economic Research Service (ERS), FNS, FS, FSA, FSIS, National Agricultural Statistical Service (NASS), National Finance Center (NFC), Office of Chief Information Officer (OCIO), and RMA. In April 2010, a civil settlement agreement was entered and executed by the corporation and the Government. As part of this agreement, the corporation agreed to pay back a total of \$4.5 million.

**STEWARDSHIP OF NATURAL RESOURCES** – Increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources.

The administration of national forests and grasslands, including restoration and health of the watershed and sustainable forest ecosystem management, is a major concern. USDA conservation activities on public and private lands are through cooperative efforts with State, Tribal and local governments, as well as conservation districts, non-governmental organizations, private land managers, and local interests. Our goal is to work with USDA agencies to maintain healthy watersheds, high quality soils and sustainable ecosystems; to enhance soil quality to maintain productive working croplands; and to protect forests and grasslands and enhance the wildlife habitat these areas foster.

Highlights of current and planned OIG audits and investigations, as well as select examples of recent progress accomplished through OIG audits and investigations are described below:

Highlights of Current and Planned Audit Work:

Evaluating FS' Processes to Obtain and Grant Rights of Way and Easements (ROW&E). Our audit will determine if FS is both properly obtaining ROW&E necessary to manage Federal lands and granting and modifying ROW&E in accordance with laws and regulations and the best interests of the agency. We will also determine if FS has adequately planned for how changing land use patterns and the use of ROW&E will affect FS mission areas.

Forest Service Legacy Program (FLP). We are reviewing FLP to determine if appraisals prepared for FLP tracts complied with Federal appraisal standards, including reviews by qualified review appraisers. FS officials expressed concerns over the appraisal process used and a recent appropriations committee report concluded that States lacked adequate appraisal guidance.

Forest Service Administration of Special Uses Program. Our overall objective is to determine if FS has adequate controls over its special use program covering agriculture use; communication sites; troubled youth camps; and water use. Specifically, we will determine whether adequate controls are in place to ensure that authorizations are properly issued and adequately monitored. In addition, we will determine whether:

FS properly calculated, collected, and recorded fees for special use authorizations, and if the database is adequate for monitoring and tracking special use permit information.

Highlights of Current and Planned Investigations Work:

Wildland Fire Investigations Team. OIG Investigations is mandated by Public Law 107-203 (7 U.S.C. 2270(b)), enacted in July 2004, to independently conduct an investigation whenever wildfire entrapment or a burnover results in the death of a Forest Service firefighter. As a result, we established our Wildland Fire Investigation Team (WFIT) as the second component of our ERP, and we must train, outfit, and certify team

members every year, even in years like FY 2010 when there were no FS firefighting fatalities from wildfire entrapment or burnover.

Selected Examples of Recent Progress – Investigations:

Natural Resources Conservation Service (NRCS): False Statements to Receive Reimbursement for Restoration of Wetlands Reserve Program Easement. An Alpena, South Dakota, man was indicted in August 2009 in Federal court for making false statements and providing fabricated documents to NRCS to receive reimbursement of \$18,368 for restoration of a Wetlands Reserve Program easement. This individual also made false statements to FSA and the U.S. Fish and Wildlife Service to receive almost \$40,000 in reimbursements for various other projects. The man subsequently pled guilty and was sentenced to serve 36 months of probation and to pay restitution of \$17,831 and a fine of \$50,000.

## OFFICE OF INSPECTOR GENERAL

Summary of Budget and Performance  
Statement of Department Goals and Objectives

OIG has five strategic goals with objectives that contribute to all of the strategic goals of the Department.

<b>USDA Strategic Goal</b>	<b>OIG Strategic Goal</b>	<b>OIG Objectives</b>	<b>Programs that Contribute</b>	<b>Key Outcome</b>
OIG supports all USDA Strategic Goals	<b>OIG Goal #1:</b> Strengthen USDA's ability to implement safety and security measures to protect the public health as well as agricultural and Departmental resources.	<b>Objective 1</b> Continuously monitor and assess risks in USDA programs and operations to identify those that are critical to the achievement of our goals.  Target resources to address those critical risks.	Audit/ Investigations	Definition of criteria to establish priorities in terms of dollars; level of Congressional, Departmental, or public interest; risk factors; or other concerns to reduce fraud, waste and abuse in Federal programs.
OIG supports all USDA Strategic Goals	<b>OIG Goal #2:</b> Reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to program participants.	<b>Objective 2</b> Continuously monitor and assess risks in USDA programs and operations to identify those that are critical to the achievement of our goals.  Target resources to address those critical risks.	Audit/ Investigations	Definition of criteria to establish priorities in terms of dollars; level of Congressional, Departmental, or public interest; risk factors; or other concerns to reduce fraud waste and abuse in Federal programs.
OIG supports all USDA Strategic Goals	<b>OIG Goal #3:</b> Support USDA in implementing its management improvement initiatives.	<b>Objective 3</b> Continuously monitor and assess risks in USDA programs and operations to identify those that are critical to the achievement of our goals.  Target resources to address those critical	Audit/ Investigations	Establishment of prevention and detection methods to reduce program losses.  Continuous evaluation of our technological and physical

## OFFICE OF INSPECTOR GENERAL

USDA Strategic Goal	OIG Strategic Goal	OIG Objectives	Programs that Contribute	Key Outcome
		risks.		resources to aid USDA in facing new technology-based and information security challenges to reduce fraud, waste and abuse in Federal programs.
OIG supports all USDA Strategic Goals	<b>OIG Goal #4:</b> Increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources.	<b>Objective 4</b> Continuously monitor and assess risks in USDA programs and operations to identify those that are critical to the achievement of our goals.  Target resources to address those critical risks.	Audit/ Investigations	Definition of criteria to establish priorities in terms of dollars; level of Congressional, Departmental, or public interest; risk factors; or other concerns.
OIG supports all USDA Strategic Goals	<b>OIG Goal #5:</b> Strive for a highly qualified diverse workforce with the tools and training necessary to continuously enhance OIG's ability to fulfill its mission and communicate its accomplishments.	<b>Objective 5</b> Hire, train, develop, motivate, and effectively manage a high-performing and diverse front-line, supervisory, and executive workforce with the technical and workplace skills necessary to meet OIG's strategic goals and plans.  Continuously acquire and deploy state-of-the-art technology, equipment, and other physical resources to enable OIG to meet its strategic goals and annual plans.  Enhance internal OIG	Management/ Counsel/ Audit/ Investigations	Utilization of self-assessment tools, such as surveys, to continually measure the impact of our human capital efforts and organizational progress.  Achievement of human capital development goals by improving our recruitment, hiring, and training of a diversified skilled workforce.

OFFICE OF INSPECTOR GENERAL

USDA Strategic Goal	OIG Strategic Goal	OIG Objectives	Programs that Contribute	Key Outcome
		<p>communication so that all staff understands OIG's priorities and the contribution their work makes toward fulfilling OIG's mission.</p> <p>Provide timely and reliable legal and management advice, reports, and services to support the effective functioning of all OIG components.</p> <p>Support the integrity of OIG operations by maintaining an effective quality assurance and internal review program.</p> <p>Effectively communicate the outcome of OIG's work to Congress, agency management officials, the press, and members of the public.</p>		
<p><b>USDA's Strategic Goals are as follows:</b></p> <p><b>Goal-</b>Assist rural communities to create prosperity so they are self-sustaining, repopulating and economically thriving.</p> <p><b>Goal-</b>Ensure our national forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our water sources.</p> <p><b>Goal-</b>Help America promote agricultural production and biotechnology exports as America works to increase food security.</p> <p><b>Goal-</b>Ensure that all America's children have access to safe, nutritious, and balanced meals.</p>				

## OFFICE OF INSPECTOR GENERAL

Key Outcomes:

- Definition of criteria to establish priorities in terms of dollars; level of Congressional, Departmental, or public interest; risk factors; or other concerns.
- Establishment of prevention and detection methods to reduce program losses through trend analysis.
- Continuous evaluation of our technological and physical resources to aid USDA in facing new technology-based and information security challenges.
- Utilization of self-assessment tools, such as surveys, to continually measure the impact of our human capital efforts and organizational progress.
- Achievement of human capital development goals by improving our recruitment, hiring, and training of a diversified skilled workforce.

**USDA Strategic Goals:** OIG supports all of the Department's Strategic Goals.

**Long-term Performance Measures:** OIG focuses on the most important issues that face USDA. Through coordinated audits, investigations, and other reviews, OIG addresses the areas of highest risk and provides insight and support to USDA program agencies. Our concerted efforts focus heavily on prevention, including reviewing internal control procedures and advising Departmental officials of recommended improvements needed in agency programs and operations. To determine how we are doing and where we go next, we will continue to meet periodically with stakeholders, particularly USDA management officials, U.S. attorneys, and Congressional representatives and staff to obtain feedback on our work. However, our work follows several stages of decision-making and implementation in order to ultimately influence change. The OIG will measure its performance under each of the goals by tracking the following:

- Percentage of OIG direct resources dedicated to critical risk or high-impact activities.
- Percentage of audit recommendations where management decisions are achieved within 1 year.
- Percentage of audits initiated where the findings and recommendations are presented to the auditee within established and agreed-to timeframes.
- Percentage of closed investigations that result in a referral for action to the Department of Justice, State/local law enforcement officials, or relevant administrative authority.
- Percentage of closed investigations that result in indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary results.

**Past Accomplishments Toward Achievement of Key Outcomes:** During the period of FY 2008 through 2010, OIG has continued to demonstrate considerable law enforcement actions, programmatic improvements, and dollar returns for the funding provided for the office.

- OIG investigative activity has led to monetary results of \$255.9 million for FYs 2008, 2009, and the first half of 2010, while investigative funding for the same period of time was about \$106.5 million, a potential return of \$2.40 for every dollar invested in OIG investigations.
- In addition to this monetary return on investment, OIG's work also has an incalculable value in terms of punishing and deterring criminal activity, measured in part by indictments, convictions, and administrative sanctions.
- OIG audit activity has resulted in cost avoidances and management commitments to seek returns of \$614 million for fiscal years 2008, 2009, and the first half of 2010, while audit funding for the same period of time was about \$102.4 million.
- Over the past several years, OIG has been continuously called upon to direct audit resources to conduct high-priority work and special assignments resulting from an increasing number of congressional requests, natural disasters, and significant agency program changes—some of which resulted from the 2008 Farm Bill.

## OFFICE OF INSPECTOR GENERAL

In summary, OIG audits and investigations have continued to save the taxpayers money while fulfilling its mission of ensuring the safety of the Nation's agricultural resources, reducing program vulnerabilities, and strengthening program integrity.

**Selected Accomplishments Expected at the FY 2012 Proposed Resources Level:** Annually, OIG identifies the most significant USDA programs for audit and allocates resources to these areas. During FY 2012, OIG will use its audit resources to evaluate how well the Department has accomplished its strategic goals and objectives. OIG will also use its audit resources to determine how well the Department has implemented the initiatives in the American Recovery and Reinvestment Act of 2009. Additionally, the following are items of high priority.

- Audits involving animal, plant and health inspections.
- Farm program audits as well as food and nutrition, and the Forest Service programs audits.
- Investigations focusing on matters that pose immediate threat to the well being of the American consumer, livestock, and agriculture.
- Significant investigation cases based on improper payments including the Supplemental Nutrition Assistance Program.
- Inspector General (IG) Reform Act of 2009 and support of the Council of the Inspectors General on Integrity and Efficiency.
- Meet mandatory training requirements for OIG auditors and investigators.

OFFICE OF INSPECTOR GENERAL  
 Summary of Budget and Performance  
 Statement of Department Goals and Objectives

Strategic Goal Funding Matrix

(On basis of appropriation)

	<u>2010 Actual</u>		<u>2011 Estimated</u>		Increase or Decrease	<u>2012 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
Audit.....	\$43,265,598	303	\$43,475,000	306	\$995,000	\$44,470,000	306
Investigations.....	45,031,541	290	45,250,000	294	1,035,000	46,285,000	294
Subtotal, Available or Estimate.....	88,297,139	593	88,725,000	600	2,030,000	90,755,000	600
Unobligated Balance.....	+427,861						
Disaster Supplemental.....	708,956		35,000			35,000	
Recovery Act.....	6,859,863		6,549,446			4,072,122	
Appropriation.....	96,293,819	593	95,309,446	600		94,862,122	600

OFFICE OF INSPECTOR GENERAL

Summary of Budget and Performance  
Key Performance Outcomes and Measures

OIG Goals.

- Strategic Goal 1: Strengthen USDA's ability to implement safety and security measures to protect the public health as well as agricultural and Departmental resources.
- Strategic Goal 2: Reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to program participants.
- Strategic Goal 3: Support USDA in implementing its management improvement initiatives.
- Strategic Goal 4: Increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources.
- Strategic Goal 5: Strive for a highly qualified diverse workforce with the tools and training to continuously enhance OIG's ability to fulfill its mission and communicate its accomplishments.

Key Outcomes:

- Definition of criteria to establish priorities in terms of dollars; level of Congressional, Departmental, or public interest; risk factors; or other concerns.
- Establishment of prevention and detection methods to reduce program losses.
- Continuous evaluation of our technological and physical resources to aid USDA in facing new technology-based and information security challenges.
- Utilization of self-assessment tools, such as surveys, to continually measure the impact of our human capital efforts and organizational progress.
- Achievement of human capital development goals by improving our recruitment, hiring, and training of a diversified skilled workforce.

Key Performance Measures:

Performance Measure 1: Percentage of OIG direct resources dedicated to critical-risk or high-impact activities.

Performance Measure 2: Percentage of audit recommendations where management decisions are achieved within 1 year of report issuance.

Performance Measure 3: Percentage of audits initiated where the findings and recommendations are presented to the auditee within established timeframes.

Performance Measure 4: Percentage of closed investigations that resulted in a referral for action to the Department of Justice, State/local law enforcement officials, or relevant administrative authority.

Performance Measure 5: Percentage of closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary results.

Key Performance Measures and Targets:

<b>Performance Measure</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Target</b>	<b>2012 Target</b>
Performance Measure No. 1  Percentage of OIG direct resources dedicated to critical-risk or high-impact activities.	92%	95%	95%	90%	90%	90%
Performance Measure No. 2  Percentage of audit recommendations where management decisions are achieved within 1 year of report issuance.	85%	84%	88%	85%	85%	85%
Performance Measure No. 3  Percentage of audits initiated where the findings and recommendations are presented to the auditee within established timeframe.	N/A	92%	100%	90%	90%	90%
Performance Measure No. 4  Percentage of closed investigations that resulted in a referral of action to the Department of Justice, State/local enforcement officials, or relevant administrative authority.	N/A	70%	75%	70%	70%	70%
Performance Measure No. 5  Percentage of closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary results.	68%	65%	77%	65%	65%	65%

## OFFICE OF INSPECTOR GENERAL

Summary of Budget and Performance  
 Full Cost by Department Strategic Goal  
 (Dollars in thousands unless noted)

USDA Strategic Goal: OIG supports all USDA Priority Goals

	2010 <u>Amount</u>	2011 <u>Amount</u>	2012 <u>Amount</u>
Program Items			
Audit	\$43,265	\$43,475	\$44,470
Investigations	<u>45,032</u>	<u>45,250</u>	<u>46,285</u>
<b>Total Costs</b>	<b>88,297</b>	<b>88,725</b>	<b>90,755</b>
FTEs	593	600	600
Performance Measures – Audit/Investigations			
Number of Audits That Fall Under Goal 1	53	54	54
Number of Days Charged	47,357	46,335	46,142
Auditor Cost Per Day (\$)	\$914	\$938	\$964
Dollar Expenditure for Goal 1	\$43,265	\$43,475	\$44,470
Number of Investigations That Fall Under Goal 1	275	275	275
Number of Days Charged	21,993	21,517	21,428
Investigator Cost Per Day (\$)	\$2,048	\$2,103	\$2,160
Dollar Expenditure for Goal 1	\$45,032	\$45,250	\$46,285
Performance Measures:			
Percentage of OIG direct resources dedicated to critical-risk or high-impact activities.	90%	90%	90%
Percentage of audit recommendations where management decisions are achieved within 1 year of report issuance.	85%	85%	85%
Percentage of requested audits initiated where the findings and recommendations are presented to the auditee within established timeframe.	90%	90%	90%
Percentage of closed investigations that resulted in a referral for action to the Department of Justice, State/local law enforcement officials, or relevant administrative authority.	70%	70%	70%
Percentage of closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.	65%	65%	65%