

2013 Explanatory Notes

Office of Inspector General

Contents

Purpose Statement	12-1
Statement of Available Funds and Staff Years Summary.....	12-2
Permanent Positions by Grade and Staff Year Summary	12-3
Motor Vehicle Fleet Data	12-4
Salaries and Expenses:	
Appropriations Language	12-5
Lead-Off Tabular Statement.....	12-5
Project Statement.....	12-6
Justifications.....	12-7
Geographic Breakdown of Obligations and Staff Years	12-10
Classification by Objects.....	12-11
Status of Programs.....	12-12
Summary of Budget and Performance:	
Statement of Agency Goals and Objectives	12-29
Key Performance Outcomes and Measures.....	12-34
Full Cost by Agency Strategic Goal.....	12-35

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, 2011, OIG had 587 permanent full-time employees, including 163 employees located in the Washington, D.C., metropolitan area and 424 located in the field.

OFFICE OF INSPECTOR GENERAL

Available Funds and Staff Years

(Dollars in thousands)

Item	2011 Actual		2011 Actual		2012 Estimate		2013 Estimate	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses:								
Discretionary Appropriations.....	\$88,725	593	\$88,725	608	\$85,621	577	\$89,016	577
Rescission.....	-	-	-177	-	-	-	-	-
Adjusted Appropriation.....	88,725	593	88,548	608	85,621	577	89,016	577
Balance Available, SOY.....	21,088	-	13,520	-	10,541	-	2,799	-
Other Adjustments (Net).....	661	-	351	-	-	-	-	-
Total Available.....	110,474	593	102,419	608	96,162	577	91,815	577
Lapsing Balances.....	-425	-	-105	-	-	-	-	-
Balance Available, EOY.....	-13,520	-	-10,541	-	-2,799	-	-2,749	-
Obligations.....	96,529	593	91,773	608	93,363	577	89,066	577
<u>Obligations under other USDA appropriations:</u>								
Risk Management Agency:								
Audit of Financial Statements.....	370	-	381	-	380	-	380	-
Food and Nutrition Services								
Audit of Financial Statements.....	1,020	-	1,020	-	1,020	-	1,020	-
Rural Development								
Audit of Financial Statements.....	1,000	-	1,000	-	1,000	-	1,000	-
OCFO/WCF Audits.....	800	-	800	-	800	-	800	-
Council of the Inspectors General on Integrity and Efficiency (CIGIE)								
(Legal Services).....	-	-	30	-	50	-	50	-
CIGIE - Delores Jeffrey.....	-	-	-	-	15	-	-	-
J. Young - Detail.....	54	-	-	-	-	-	-	-
Award for OIG Employee.....	2	-	-	-	-	-	-	-
Foreign Agricultural Services - Afghanistan								
Audit of Financial Statements.....	-	-	11	-	40	-	40	-
Foreign Agricultural Services - Pakistan								
Audit of Financial Statements.....	-	-	29	-	40	-	40	-
Federal Housing Finance Agency.....	-	-	36	-	38	-	38	-
Total, Other USDA.....	3,246	-	3,307	-	3,383	-	3,368	-
Total, OIG.....	99,775	593	95,080	608	96,746	577	92,434	577

OFFICE OF INSPECTOR GENERAL
Permanent Positions by Grade and Staff Year Summary

Item	2010 Actual			2011 Actual			2012 Estimate			2013 Estimate		
	Wash.			Wash.			Wash.			Wash.		
	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total
ES.....	1	-	1	1	-	1	1	-	1	1	-	1
SES.....	8	-	8	8	-	8	8	-	8	8	-	8
GS-15.....	15	17	32	14	14	28	14	14	28	14	14	28
GS-14.....	52	52	104	55	46	101	41	55	96	41	55	96
GS-13.....	27	176	203	30	166	196	25	176	201	25	175	200
GS-12.....	23	100	123	20	96	116	9	99	108	10	99	109
GS-11.....	12	7	19	10	42	52	5	47	52	5	47	52
GS-10.....	-	-	-	-	-	-	-	-	-	-	-	-
GS-9.....	11	57	68	12	28	40	15	17	32	15	17	32
GS-8.....	6	9	15	8	3	11	2	10	12	2	10	12
GS-7.....	8	27	35	8	21	29	4	21	25	4	21	25
GS-6.....	2	1	3	3	1	4	3	1	4	3	1	4
GS-5.....	2	5	7	4	3	7	2	2	4	2	2	4
GS-4.....	1	4	5	5	2	7	4	2	6	4	2	6
Total Perm. Positions.....	168	455	623	178	422	600	133	444	577	134	443	577
Unfilled, EOY..	19	28	9	15	28	43	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY.....	149	427	614	163	394	557	133	444	577	134	443	577
Staff Year Est..	166	427	593	163	445	608	-	577	577	-	577	577

OFFICE OF INSPECTOR GENERAL

Size, Composition, and Cost Motor Vehicle Fleet

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 of 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 Operating Costs of Vehicle Fleet

Fiscal Year	Number of Vehicles by Type *								Annual Operating Costs (\$ in 000) **
	Sedans and Station Wagons	Light Trucks, SUVs, and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles	Total Number of Vehicles	
		4x2	4x4						
2010	94	34	56	1	-	-	-	185	\$1,003
Change	+4	-10	-6	-	-	-	-	-12	+222
2011	98	24	50	1	-	-	-	173	1,225
Change	-5	-1	-7	+1	-	-	-	-12	-275
2012	93	23	43	2	-	-	-	161	950
Change	-	-	-	-	-	-	-	-	-100
2013	93	23	43	2	-	-	-	161	850

* Numbers include vehicles owned by the agency and leased from commercial sources or GSA.

** Excludes acquisition costs and gains from sale of vehicles as shown in FAST.

OFFICE OF INSPECTOR GENERAL

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

For necessary expenses of the Office of Inspector General, including employment pursuant to the Inspector General Act of 1978, [~~\$85,621,000~~] \$89,016,000, 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 2013 is \$89,016,000. Of this amount, \$162,000 is to support training needs and \$468,000 is to support the Council of Inspector General for Integrity and Efficiency (CIGIE).

Lead-Off Tabular Statement

(Dollars in thousands)

Appropriations Act, 2012.....	\$85,621,000
Budget Estimate, 2013.....	<u>89,016,000</u>
Change from 2012 Appropriation.....	<u>+ 3,395,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

Item of Change	2010 <u>Actual</u>	2011 <u>Change</u>	2012 <u>Change</u>	2013 <u>Change</u>	2013 <u>Estimate</u>
Office of Inspector General.....	\$88,725	-\$177	-\$2,927	+\$3,395	\$89,016

OFFICE OF INSPECTOR GENERAL

Project Statement

(On basis of appropriations)

(Dollars in thousands)

Program	<u>2010 Actual</u>		<u>2011 Actual</u>		<u>2012 Estimate</u>		<u>Change</u>		<u>2013 Estimate</u>		
	Staff		Staff		Staff		Staff		Staff		
	Amount	Years	Amount	Years	Amount	Years	Amount	Years	Amount	Years	
Discretionary Appropriations:											
Audit.....	\$43,475	303	\$43,389	310	\$41,954	294	+\$1,664	(1)	-	\$43,618	294
Investigations.....	45,250	290	45,159	298	43,667	283	+1,731	(2)	-	45,398	283
Subtotal.....	88,725	593	88,548	608	85,621	577	+3,395	-	-	89,016	577
Rescission.....	-	-	177	-	-	-	-	-	-	-	-
Total Appropriation....	88,725	593	88,725	608	85,621	577	+3,395	-	-	89,016	577
Rescission.....	-	-	-177	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	21,088	-	13,520	-	10,541	-	-7,742	-	-	2,799	-
Recoveries, Other (Net).....	661	-	351	-	-	-	-	-	-	-	-
Total Available.....	110,474	593	102,419	608	96,162	577	-4,347	-	-	91,815	577
Lapsing Balances.....	-425	-	-105	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	-13,520	-	-10,541	-	-2,799	-	+50	-	-	-2,749	-
Total Obligations.....	96,529	593	91,773	608	93,363	577	-4,297	-	-	89,066	577

Project Statement

(On basis of obligations)

(Dollars in thousands)

Program	<u>2010 Actual</u>		<u>2011 Actual</u>		<u>2012 Estimate</u>		<u>Change</u>		<u>2013 Estimate</u>		
	Staff		Staff		Staff		Staff		Staff		
	Amount	Years	Amount	Years	Amount	Years	Amount	Years	Amount	Years	
Discretionary Obligations:											
Audit.....	\$43,267	303	\$43,337	310	\$41,954	294	+\$1,664	-	-	\$43,618	294
Investigations.....	45,033	290	45,106	298	43,667	283	+1,731	-	-	45,398	283
Subtotal.....	88,300	593	88,443	608	85,621	577	+3,395	-	-	89,016	577
Supplemental Obligations:											
Emergency Supp.....	709	-	50	-	50	-	-	-	-	50	-
Recovery Act.....	7,520	-	3,280	-	7,692	-	-7,692	-	-	-	-
Subtotal.....	8,229	-	3,330	-	7,742	-	-7,692	-	-	50	-
Total Obligations.....	96,529	593	91,773	608	93,363	577	-4,297	-	-	89,066	577
Lapsing Balances.....	425	-	105	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	13,520	-	10,541	-	2,799	-	-50	-	-	2,749	-
Total Available.....	110,474	593	102,419	608	96,162	577	-4,347	-	-	91,815	577
Rescission.....	-	-	177	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	-21,088	-	-13,520	-	-10,541	-	+7,742	-	-	-2,799	-
Other Adjustments (Net).	-661	-	-351	-	-	-	-	-	-	-	-
Total Appropriation.....	88,725	593	88,725	608	85,621	577	+3,395	-	-	89,016	577

OFFICE OF INSPECTOR GENERAL

Justification of Increases and Decreases

The base funds will allow OIG to conduct and supervise audits and investigations to prevent and detect fraud, waste, and abuse and to improve the effectiveness of USDA programs and operations. As the law enforcement arm of USDA, OIG also investigates criminal activity involving the Department's programs and personnel.

An increase of \$3,395,000 (\$85,621,000 and 577 staff years available in 2012) for the Office of Inspector General consisting of:

A total increase of \$280,000 to fund pay cost.

This increase will allow OIG to continue to meet its objective of providing direction, supervision, and audits and investigations relating to USDA programs and operations. This critical increase is needed to support and maintain current staffing levels to meet the demands and statutory requirements of OIG.

A total increase of \$468,000 to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

The Inspector General Reform Act (P.L. 110-409) was signed by the President on October 14, 2008. Section 6(f) (1) of the Inspector General Act 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 is requested under the authority of the Inspector General Reform Act of 2008 to coordinate Federal efforts to improve program delivery.

(1) An increase of \$1,664,000 for Audit (\$41,954,000 available in 2012).

(a) An increase of \$137,000 to fund pay costs.

(b) An increase of \$114,000 to support the Council of the Inspector General on Integrity and Efficiency (CIGIE).

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

The funds requested would be used in 2013 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.

With the previous American Recovery and Reinvestment Act of 2009, the OIG was able to perform a number of audits based on fully random statistical samples. With an increase in oversight funding, OIG will be able to fund extra staff hours and field work required to do random statistical sampling on additional 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 deterring 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.

(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 this increase 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 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.

(2) An increase of \$1,731,000 for Investigations (\$43,667,000 available in 2012).

(a) An increase of \$143,000 to fund pay costs.

(b) An increase of \$354,000 to support the Council of the Inspector General on Integrity and Efficiency (CIGIE).

(c) 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.

(d) An increase of \$1,072,000 will enable OIG to fund an investigative initiative with a focus on USDA's largest entitlement program.

The funds requested would be used in 2013 to assist the Office of Inspector General Investigations in funding investigative initiatives in the Supplemental Nutrition Assistance Program (SNAP). SNAP is USDA's largest entitlement program. In 2011, SNAP provided almost \$70 billion in benefits to the American public. There has been a steady increase in work involving the SNAP during the past few years. In 11, investigations spent approximately 46 percent of its time on SNAP related cases. The OIG investigative teams, in coordination with the Food and Nutrition Service, are moving forward on an initiative to establish a more targeted approach to address fraud in this program. The key components of this initiative include more actively engaging state and local authorities in our investigative work and pursuing prosecution of both the retailers and the recipients who engage in the trafficking of benefits. Any additional funding appropriated for Investigations will be used to enhance the initiative in this area.

Due to previous concerns regarding available resources, priority was placed upon conducting food safety related investigations and addressing threats against USDA employees. Investigations ensure that resources were available to conduct these high priority investigations. However, initiating these investigations led to declined resources available to investigate allegations of potential criminal activity in other program areas. An overall increase in funding levels would allow Investigations to resume investigations, when appropriate, in all USDA program areas.

OFFICE OF INSPECTOR GENERAL
Geographic Breakdown of Obligations and Staff Years
(Dollars in thousands)

State/Territory	<u>2010 Actual</u>		<u>2011 Actual</u>		<u>2012 Estimate</u>		<u>2013 Estimate</u>	
	Staff		Staff		Staff		Staff	
	Amount	Years	Amount	Years	Amount	Years	Amount	Years
California.....	\$9,083	61	\$8,873	61	\$8,458	57	\$8,793	57
Georgia.....	11,316	76	10,618	73	10,091	68	10,491	68
Illinois.....	9,827	66	10,473	72	10,239	69	10,645	69
Maryland.....	9,976	67	12,364	85	11,871	80	12,342	80
Missouri.....	18,017	121	17,746	122	17,807	120	18,513	120
Texas.....	9,232	62	7,564	52	7,419	50	7,714	50
District of Columbia.....	20,846	140	20,801	143	19,736	133	20,518	133
Undistributed.....	8,232	-	3,334	-	7,742	-	50	-
Obligations.....	96,529	593	91,773	608	93,363	577	89,066	577
Lapsing Balances.....	425	-	105	-	-	-	-	-
Bal. Available, EOY.....	13,520	-	10,541	-	2,799	-	2,749	-
Total, Available.....	110,474	593	102,419	608	96,162	577	91,815	577

OFFICE OF INSPECTOR GENERAL

Classification by Objects

(Dollars in thousands)

	2010	2011	2012	2013
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Personnel Compensation:				
Washington D.C.....	\$7,698	\$8,226	\$8,125	\$8,330
Field.....	43,623	46,616	46,039	47,201
11 Total personnel compensation.....	51,321	54,842	54,164	55,531
12 Personal benefits.....	18,352	19,788	19,483	19,974
13.0 Benefits for former personnel.....	11	10	10	10
Total, personnel comp. and benefits.....	69,684	74,640	73,657	75,515
Other Objects:				
21.0 Travel and transportation of persons.....	7,722	3,137	1,848	2,410
22.0 Transportation of things.....	205	192	255	180
23.1 Rental payments to GSA.....	88	76	100	61
23.2 Rental payments to others.....	524	451	598	363
23.3 Communications, utilities, and misc. charges...	2,253	2,072	2,749	1,669
24.0 Printing and reproduction.....	240	120	160	120
25.1 Advisory and assistance services.....	1,405	1,210	1,606	975
25.2 Other services from non-Federal sources.....	2,040	978	889	789
25.3 Other purchases of goods and services				
from Federal sources.....	2,278	1,966	2,609	1,584
25.4 Operation and maintenance of facilities.....	2,421	1,481	1,965	1,193
25.5 Research and development contracts.....	871	750	995	604
25.6 Medical care.....	206	753	993	605
25.7 Operation and maintenance of equipment.....	552	1,411	1,871	1,136
25.8 Subsistence and support of persons.....	102	88	117	71
26.0 Supplies and materials.....	1,322	570	754	458
31.0 Equipment.....	4,587	1,595	2,117	1,285
42.0 Insurance & Indemnities.....	29	283	80	48
Total, Other Objects.....	26,845	17,133	19,706	13,551
99.9 Total, new obligations.....	96,529	91,773	93,363	89,066
Position Data:				
Average Salary (dollars), ES Position.....	\$152,000	\$152,000	\$152,000	\$152,000
Average Salary (dollars), GS Position.....	\$90,000	\$90,000	\$90,000	\$90,000
Average Grade, GS Position.....	12.7	12.7	12.7	12.7

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) review existing and proposed legislation and regulations relating to its programs and operations and make recommendations concerning the impact of such on the Department; (3) 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; (4) 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 (5) recommend corrective action and report on progress made in obtaining management's agreement to implement such action.

During 2011, OIG issued 359 investigative reports and 45 audit reports. Audit and Investigative results totaled \$4,303.1 million. OIG investigations resulted in 562 indictments and 449 convictions. The period of time to get court action on an indictment varies widely; therefore, the 449 convictions are not necessarily related to the 562 indictments. Our return on investments is \$48.62 for every dollar invested in OIG.

In the second half of 2011, we began reporting on issued *Fast Reports*.¹ There were nine *Fast Reports* issued April 1, through September 30, 2011, which could result in potential dollar findings of \$201.5 million when the final audit reports are issued.

Audit Monetary Results:

During 2011, management decisions were made on 40 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:

(in millions)

Questioned and unsupported costs and loans	\$4,174.8
Recommended recovery	6.8
Not recommended recovery	4,168.0
Funds to be put to better use	<u>14.7</u>
Total audit monetary results	\$4,189.5

Investigative Monetary Results:

(in millions)

Claims established	\$15.0
Recoveries and collections	22.4
Cost avoidance (USDA program payments not made due to OIG investigations)	1.6
Fines	4.0
Asset forfeitures	2.6
Administrative penalties	0.2
Restitutions	<u>67.8</u>
Total investigative monetary results	\$113.6

¹ A *Fast Report* is an interim report submitted to the action agency during an ongoing audit so USDA program managers can take corrective action as soon as problems are identified.

OIG's audit and investigatory work for 2011 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 Audit Work:

Organic Milk under the National Organic Program (NOP). We are evaluating the implementation of the Agricultural Marketing Service's (AMS) February 2010 pasture and grazing final rule for organic milk operations and the organic milk operations' compliance with NOP standards.

Controls Over Shell Egg Inspections. We are evaluating USDA's controls over shell eggs to detect and report the presence of *Salmonella* or other contaminants. In a *Fast Report* issued as part of this ongoing assignment, we disclosed that AMS requires its graders to cull affected shell eggs to prevent their movement into commerce, but as a recent recall demonstrated, adulterated shell eggs were mistakenly shipped to another facility where they were graded and sent to retailers. OIG recommended that AMS amend its current procedures to ensure that graders identify the locations to which adulterated products will be shipped and require AMS shell egg graders at those locations to prevent adulterated shell eggs from receiving the official USDA grade mark. AMS agreed with our recommendations and has taken corrective action. Our audit continues, looking at other issues regarding controls over shell egg inspections.

Follow up on the Animal and Plant Health Inspection Service's (APHIS) Implementation of the Select Agent or Toxin Regulations. We continue to follow up on prior audits on select agents and toxins to determine if APHIS has implemented corrective actions to ensure compliance with regulations pertaining to the Public Health Security and Bioterrorism Preparedness and Response Act of 2002.

Food Safety and Inspection Service (FSIS) Inspection Personnel Shortages in Processing Establishments. Our reviews are determining the impact that inspection personnel shortages at processing establishments have on FSIS' ability to ensure that the Nation's meat and poultry products are safe. We are also evaluating FSIS' plans for addressing and improving these personnel shortages.

Application of FSIS Sampling Protocol for Testing Beef Trim for *E. coli* 0157:H7. OIG is reviewing the effectiveness of FSIS' N-60 testing protocol on beef trim for *E. coli*. We are also determining whether industry and private laboratories' sampling and testing protocols meet FSIS standards, and examine how FSIS and the beef industry use test results.

Highlights of Current and Planned Investigations Work:

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

- Food Safety Issues. OIG will continue to investigate individuals who engage in criminal behavior which endangers the wholesomeness of the food supply within USDA's purview.
- NOP Violations. Due to concerns regarding the wholesomeness of organic products as the result of such acts as mislabeling and use of non-organic materials in the NOP, OIG will continue outreach to USDA agencies and State agriculture departments as appropriate to ensure a coordinated approach towards investigating potential criminal violations in the NOP. OIG will continue to work with the appropriate agencies to ensure a successful conclusion to these investigations.

Smuggling of Prohibited Items

OIG 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), which can result in the 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), a component 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' (FBI) Joint Interagency Agro-terrorism Working Group to develop protocols and processes among the FBI, the U.S. Department of Agriculture, and OIG to facilitate a coordinated interagency response to an agro-terrorism 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. Furthermore, ERT will be an active participant in the planning of several exercises with the Federal Emergency Management Agency, APHIS and the FBI. ERT will continue to develop its capabilities to respond to agricultural incidents involving Biological and Radiological components by developing joint training opportunities with APHIS, the Agricultural Research Services (ARS), and FSIS.

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 and 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.

Selected Examples of Recent Progress – Audit:

AMS Implementation of Country of Origin Labeling (COOL) Requirements. In March 2009, Federal regulations went into effect requiring food retailers to provide consumers with country of origin labels on certain food products so that consumers can make informed purchasing decisions. OIG evaluated how AMS implemented COOL regulations and found that the agency has made significant progress, but that it needs to strengthen its process for selecting and reviewing retailers for compliance and improve the timeliness with which it handles any noncompliance disclosed by its reviews. AMS was falling behind in responding to retailers who have not complied with the new regulations. Of the 5,528 calendar year 2010 reviews identifying retailers who did not label their products correctly, AMS did not promptly provide formal written notice to 1,719 retailers of their failure to comply with COOL requirements.

Problems of this sort occurred because AMS was temporarily understaffed and the agency was not always identifying all retailers who must adhere to COOL. AMS selects stores for review based on the type of store (supermarket and wholesale club stores) and the amount of sales (greater than \$2 million annually), but at least 40 retailers in 15 States were not included in the selection process even though they should have been. Unless it corrects these types of problems, AMS will have reduced assurance that all retailers are properly labeling the country of origin for all covered commodities. AMS agreed with our conclusions that it needed to strengthen its oversight of the program, including improving its retailer review process, enhancing its compliance procedures, and improving how it communicates with retailers.

Controls over Genetically Engineered (GE) Animals and Insects Research. APHIS has published regulations for GE plants, but it has not issued regulations pertaining specifically to the import, interstate movement, or field release of GE animals and insects. APHIS officials explained that they have been responding, case by case, when researchers request regulatory information, and there have been many more requests related to GE plants than GE animals and insects. OIG acknowledged that APHIS' approach has been reasonable for regulating the few instances of experimentation relating to GE animals and insects that have taken place to date, but APHIS needs to implement its regulations before such experimentation becomes more common. We also found that USDA agency-funded laboratories performing research involving GE animals and insects need to improve how they operate their facilities by developing and implementing (1) a formal process for reporting and monitoring research incidents, (2) a formal research approval and review process, (3) a process for tracking recommendations from their internal inspections, and (4) a comprehensive security plan. APHIS agreed with our recommendations to develop a regulatory framework clearly defining its scope of coverage and regulatory requirements, and the USDA agencies responsible for GE animal research also agreed to strengthen their controls at their laboratories.

FSIS: N-60 Testing Protocol for *E. coli* 0157:H7—Phase 1. In response to a Congressional inquiry regarding a deadly outbreak of *E. coli* in U.S. beef, OIG reviewed the tests FSIS performs to detect this bacterium, and found that FSIS' tests do not yield the precision that is reasonable for food safety purposes. In the design of its tests, FSIS has not determined the prevalence of *E. coli*, even though an adequate sampling method should begin with this information. Moreover, given the likely low occurrence of *E. coli* in U.S. beef trim, FSIS must collect more than the 60 pieces of beef it currently gathers from a production lot before it can reasonably state that a production lot is contaminated or not. At present, if the contamination level is very low, FSIS is more likely to miss contamination than to detect it. OIG maintains that whenever FSIS tests beef, its tests should be designed so that the American public can have confidence in the results of those tests. OIG therefore recommended that FSIS thoroughly reevaluate its sampling program for testing beef. FSIS generally agreed with our findings and proposed corrective actions in response to our recommendations.

USDA Management and Security over Wireless Handheld Devices. Like other Federal departments, USDA increasingly relies on smart phones and other handheld wireless devices to conduct its day-to-day business. These devices are small, inexpensive, and powerful, but their portability poses new security risks for Federal agencies. We found that the devices we tested were not adequately secured, according to National Institute of Standards and Technology (NIST) standards. These problems occurred because USDA deployed these devices using a decentralized approach, but did not provide its agencies with clear guidance on how they were to configure their devices and servers. We recommended that the Office of the Chief Information Officer (OCIO) develop NIST-

compliant guides and monitor agencies' compliance. We also made a specific recommendation to the ARS to centralize its acquisitions and security over its wireless handheld devices. OCIO and ARS generally concurred with the recommendations. Additionally, the Department issued policies that adequately addressed our concerns regarding the management of wireless devices and the roles and responsibilities of the personnel responsible for those devices.

Selected Examples of Recent Progress – Investigations:

Food Safety and Defense: Export. From January to July 2006, Japan halted U.S. beef imports—worth more than \$1 billion annually—due to the discovery of vertebrae in a shipment of beef product originating from a U.S. company located in Brooklyn, New York. OIG and FSIS jointly conducted a criminal investigation into this matter and, in response to our work, the government filed a civil complaint in U.S. District Court, Eastern District of New York, charging the Brooklyn company with violations of the Federal Meat Inspection Act. In April 2011, the U.S. District Court approved legal measures providing for permanent injunctive relief and escalating monetary penalties to prevent this company from violating the Act or AMS Export Verification Program rules in the future. Additionally, in the event of future violations, the consent decree authorizes USDA to halt any future exports, perform onsite inspections, and require onsite verification of the sufficiency of corrective actions by this company.

Food Safety and Defense: NOP. In December 2011, an Oregon man pled guilty to selling a Minnesota company 4.2 million pounds of conventionally grown corn which he falsely labeled as organic. The Oregon man falsified paperwork and claimed that he had purchased the corn from a USDA certified organic grower in Oregon. Based upon the Oregon man's misrepresentations, the Minnesota Company unwittingly sold the falsely labeled corn to its customers who used the corn in their organic products such as meat and dairy products. Sentencing is currently pending for the Oregon man.

Smuggling: Prohibited Poultry and Meat Products. In Connecticut, a food distribution company sold prohibited chicken feet and other prohibited and restricted food items that it illegally labeled and mixed with other items imported from Thailand. In September 2010, as part of an agreement to avoid criminal prosecution, the company agreed to pay \$150,000 to the government. This investigation was conducted jointly with the U.S. Department of Homeland Security.

Homeland Security: ERT and Agro-terrorism Preparation. Recent agro-terrorism and national response exercises included "Curious Disintegration" to prepare for a radiological incident in the farming and ranching community in and around Houston, Texas; "NLE 2011," in which ERT provided support to APHIS for the Select Agent Program; a tabletop exercise for ESF-11 involvement in a radiological incident; and a Select Agent Program tabletop exercise with APHIS, Centers for Disease Control and Prevention (CDC), and the FBI that simulated an ERT response to a joint APHIS and CDC facility after a natural disaster. ERT also conducted a joint training and refresher exercise with APHIS, ARS, and NVSL components at the Ames, Iowa, Laboratory. OIG agents 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 January 2011, OIG received allegations that a USDA civil rights manager engaged in inappropriate behavior towards a woman who worked for him. Our investigation disclosed that, from 2009 through 2010, the USDA manager sexually assaulted his subordinate on multiple occasions. As a civil rights manager, this individual was expected to be a role model of professional conduct and non-

discriminatory behavior in his work relationships; instead, he used his position and status to victimize his employee. In February 2011, this manager was charged in Superior Court for the District of Columbia with four counts of aggravated sexual assault. In March 2011, he pled guilty to one misdemeanor count of sexual assault, and he was sentenced in April 2011 to serve 5 months' incarceration. He retired from his position with the government.

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 their 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 Audit Work:

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

Analysis of Supplemental Nutrition Assistance Program (SNAP) Eligibility Data. We are currently comparing the Social Security Administration’s list of deceased individuals’ social security numbers and names to eligibility data in the Food and Nutrition Service’s (FNS) Supplemental Nutrition Assistance Program to determine whether the program’s benefits are being delivered appropriately.

Biomass Crop Assistance Program (BCAP). We are evaluating the Collection, Harvest, Storage, and Transportation (CHST) Matching Payments Program under BCAP—established by the Food, Conservation, and Energy Act of 2008—to review eligibility and selection criteria and contract compliance. Two *Fast Reports* issued to date have disclosed that despite spending over \$243 million to support renewable crops that could be used for fuel, the Farm Service Agency (FSA) did not institute a suitable system to provide oversight and prevent abuse of the program. One review identified potential schemes aimed at circumventing the intent of CHST program agreement terms and guidelines. For example, three biomass suppliers and conversion facilities circumvented poorly written agreements to obtain payments to which they were not entitled. These problems occurred because FSA, in an effort to quickly implement the program in compliance with a Presidential directive, did not develop a handbook, specialized forms, or a computer support system that was suited to the specific requirements of the CHST program. FSA also left its field personnel without adequate guidance and oversight controls to detect, identify, and take action against potential schemes or devices. Due to these problems, FSA implemented a program that resulted in inequitable treatment of program participants, improper payments, and reduced scope for oversight and accountability. The agency generally agreed with our recommendations and has started corrective actions. OIG will roll up these issues in a final report on BCAP.

National School Lunch Program Food Service Management Companies (FSMC) and Cost-reimbursable Contracts. In response to a Congressional request, we are determining whether school districts that signed cost-reimbursable contracts with FSMCs under the National School Lunch Program are receiving all purchase discounts and rebates, and the value of donated commodities from their FSMC. We are also planning to follow up on FNS’ implementation of recommendations identified in similar audit reports.

Reduction of Inconsistent Yields. We are determining if RMA and approved insurance providers have adequate controls to ensure that excessive or inconsistent crop yields are correctly detected, verified, and—if necessary—reduced without later being restored to their previous levels.

Reducing Improper Payments. As mandated by Executive Order 13520, we are reviewing USDA agencies' 2011 quarterly reports related to their methodologies and plans to reduce improper payments.² OIG is assessing the level of risk associated with high-priority programs; determining the extent of oversight warranted; reviewing implementation of prior audit recommendations; and providing a report with recommendations, if any, on the agency's actions and strategies to recover and prevent high-dollar overpayments.

Highlights of Current and Planned Investigations Work:

OIG 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; FSA programs that support farmers; FNS programs that operate in every county of the Nation, including the largest cities; and many other programs. We will focus our investigative efforts on fraud involving the following programs:

FNS Program Investigations, including the Supplemental Nutrition Assistance Program (SNAP). As SNAP is now distributing over \$70 billion in benefits annually, OIG 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 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 continues to work with FNS, as well as 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 USDA nutrition assistance programs. 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 intends to develop a methodology to proactively look at fraud in international program areas.

Selected Examples of Recent Progress – Audit:

FSA Emergency Disaster Assistance for 2008 Floods: Emergency Conservation Program. FSA's Emergency Conservation Program (ECP) provides emergency cost-share and technical assistance to producers when their land and property is damaged by winds, floods, hurricanes, or other natural disasters. After the 2008 flooding in the Midwest, OIG reviewed FSA's implementation of ECP in Iowa, Missouri, and Indiana and found that FSA needed to take steps to strengthen its control structure for future implementation of ECP. During the initial

onsite inspection of producers' fields, FSA employees did not always determine the type and extent of the damage the producer sustained. In addition, FSA employees stated that they did not complete cost estimates for 75 of the 156 ECP applications they were responsible for because they lacked the technical expertise needed to estimate the costs associated with many repairs. Without completing cost estimates or determining the extent of damage, FSA paid \$559,650 in ECP funds without assurance that these funds were used for eligible restoration costs. Finally, since FSA county employees did not have a baseline against which to compare producers' invoices at the end of the ECP application process, they did not exclude ineligible expenses and practices for some ECP applications. FSA generally agreed with our recommendations to revise ECP procedures for completing onsite inspections and assessing damages. Also, FSA is working to address our recommendations for strengthening controls over county employee participation and producers who prematurely begin repairs.

² Executive Order 13520, "Reducing Improper Payments and Eliminating Waste in Federal Programs," November 23, 2009.

Citrus Crop Indemnity Payments from Hurricane Wilma in Florida. When Hurricane Wilma struck Florida on October 24, 2005, it damaged citrus crops that many producers had insured with policies reinsured by RMA. Though these policies were sold and serviced by approved insurance providers (AIP), RMA reinsures losses the AIPs suffer. Based on our review of 144 claims, we found that two AIPs paid \$37 million in indemnities, but did so by circumventing established procedures for adjusting citrus losses. They did not follow RMA's general loss procedures for adjusting citrus losses nor the emergency loss procedures RMA issued to expedite Hurricane Wilma-related payments. Instead, they used procedures or allowed options that were not approved by RMA, essentially indemnifying producers based on an average yield even though the producers had farming records that would have helped the AIPs more accurately determine the producers' actual losses.

We recommended that the two AIPs needed to review all Florida citrus indemnities for which the AIPs requested average yields from RMA, and recalculate and correct those indemnities. If the AIPs cannot recalculate the correct indemnities payable to citrus producers using RMA-approved procedures, then RMA needs to follow the Standard Reinsurance Agreement and deny reinsurance for indemnities totaling up to \$44.1 million. RMA agreed with our recommendations.

USDA Payments for 2005 Citrus Canker Tree Losses. In 1995, when citrus canker—a disease that affects citrus trees and fresh citrus fruit—was identified in south Florida and began affecting both residential properties and commercial groves—USDA implemented three different programs to assist affected citrus growers. APHIS implemented the Citrus Canker Lost Production Program and Citrus Canker Tree Replacement Program to compensate eligible Florida commercial citrus growers for lost production and tree losses, while RMA modified one of its insurance products—the Florida Fruit Tree Pilot Crop Insurance Program—so that growers could be indemnified for citrus canker tree losses. From November 21, 2004, to November 20, 2005, APHIS, through its two programs, made \$474 million in payments to growers, and RMA paid growers (through its approved insurance providers) \$100.8 million for citrus canker tree losses. OIG's audit found coordination problems between the USDA agencies implementing these programs, as well as with how USDA agencies coordinated with the Internal Revenue Service (IRS). APHIS did not coordinate with RMA to determine the amount of indemnity payments growers had already received before APHIS calculated its payments—an error that resulted in a total of \$1.1 million in erroneous payments. Moreover, APHIS did not report to the IRS \$290.9 million in Citrus Canker Tree Replacement Program payments from 2001 to 2007. Since citrus trees are a capital asset, these payments could have resulted in capital gains, which should have been reported to the IRS. APHIS officials generally agreed with the report's recommendations for corrective action.

Analysis of Kansas' SNAP Eligibility Data. We initiated this audit to analyze the Kansas SNAP participant database to identify anomalies that may result in ineligible participants receiving SNAP benefits. Of the 269,710 SNAP recipients in Kansas as of September 2010, we found 883 recipients who were deceased, had invalid Social Security numbers (SSNs), were receiving duplicate benefits from the State of Kansas, or were receiving benefits simultaneously with the adjoining State of Missouri. The Kansas Department of Social and Rehabilitation Services (SRS) is responsible for administering SNAP and explained that these issues occurred because it uses a State data file and not a required national Social Security Administration (SSA) database to identify deceased participants. In all, the 883 participants that should have been removed from program

participation cause us to question approximately \$109,845 in benefits per month, based on the average monthly amount a recipient receives in Kansas. We recommended that FNS provide guidance to ensure that SRS is using a comprehensive national SSA database to perform its death matches and SSN verifications. We also recommended that FNS ensure that SRS regularly performs checks to verify information in participant databases is accurate. FNS also needs to require SRS to review the 883 individuals identified in this report and determine if those participants have received improper payments. FNS generally agreed with two recommendations and we are working with FNS to reach management decision on the final recommendation.

Analysis of Florida's SNAP Eligibility Data. OIG initiated this audit in December 2010 to analyze the Florida's SNAP participant database to identify anomalies that may result in ineligible participants receiving SNAP benefits. Of the 2,603,185 average monthly recipients in Florida, we found 2,689 (.1 percent) recipients who were deceased,

had invalid SSNs, were receiving duplicate benefits in Florida, were receiving benefits simultaneously with one of four nearby States, or were listed in the Electronic Disqualified Recipient System (eDRS). We also found individuals who exceeded asset limitations but received SNAP benefits because they were considered “categorically eligible” and qualified for other Federal programs such as Temporary Assistance for Needy Families. The Department of Children and Families (DCF) is responsible for administering SNAP and explained that these issues occurred because participation in SNAP has grown by 111 percent since 2007, which officials stated has caused significant backlogs in case processing. Additionally, DCF does not perform some edit checks that would help ensure that the participant information that is entered is accurate. Also, though DCF uses the Public Assistance Reporting Information System (PARIS) database to check for duplicate enrollment across States, this system does not include all participants nationwide because FNS does not require States to participate in PARIS and does not require States to check for dual participation. In all, the 2,689 participants that should have been researched and possibly removed from program participation cause us to question approximately \$380,225 in benefits per month, based on the average monthly amount a recipient receives in Florida. We recommended that FNS provide guidance to ensure that DCF is utilizing regular edit checks to verify the information in participant databases is accurate. We also recommended that FNS require DCF to review the 2,689 individuals identified in this report and determine if those participants have received improper payments. FNS officials generally agreed with the report’s recommendations for corrective action.

Natural Resources Conservation Service (NRCS) Controls over the Farm and Ranch Lands Protection Program (FRPP) in Michigan. Through FRPP, NRCS provides Federal funds to organizations to purchase conservation easements in order to keep selected parcels of land from being developed for non-agricultural purposes, such as housing. Based on our evaluation of NRCS’ appraisal process and the agency’s controls over FRPP in Michigan, OIG questioned \$7.6 million of the total \$11.5 million NRCS paid for these easements since 2006. The NRCS State office accepted conservation easement appraisals even though they did not meet standards or were unsupported in three of the six cases we reviewed. Additionally, we found that the State office failed to identify that 20 of the 34 conservation easements, closed since 2006, had outdated appraisals which were over 12 months old at the time of conservation easement closing and may not have reflected current fair market value. We recommended that NRCS review all pending FRPP conservation easement appraisals in Michigan to ensure that all have gone through the required review process and will be less than 12 months old at closing. NRCS generally agreed with our findings and agreed to implement the recommended corrective actions.

NRCS Emergency Disaster Assistance: Emergency Watershed Protection (EWP) Program. Due to extensive flooding in the Midwest, hurricanes in the Gulf region, and ice storms in Kentucky during 2008 and 2009, NRCS received about \$490 million for EWP post-disaster recovery activities. The funds were used to restore water channels, remove debris, stabilize stream banks, and repair levees in the affected States. OIG’s review of a sample of these projects found that NRCS successfully administered the recovery portion of EWP in the aftermath of these natural disasters, correctly prioritized which projects it would fund, and appropriately responded to recommendations made in a 2007 EWP audit. However, the NRCS State offices did not always reimburse costs for technical services (i.e., project design and construction oversight) consistently. We recommended that NRCS take steps to ensure more consistent compensation of these costs. NRCS generally agreed with the recommendations and is implementing appropriate corrective actions.

Rural Development Controls Over Rural Housing Service (RHS) Disaster Assistance Payments. When disasters displace people from their homes, RHS provides eligible applicants with housing assistance; however, OIG found that RHS field staff may have continued to distribute disaster assistance from the Single Family Housing Program to recipients even though some of those recipients possibly received proceeds from other private sources (such as insurance companies) to repair damage caused by disasters. In addition to possibly distributing assistance to those who had received payments from private sources, OIG found that RHS officials did not correct program deficiencies identified in our prior two audits—9 of 24 recommendations from our prior audits were not addressed because RHS officials did not think corrective actions were necessary since they had no plans to provide emergency rental assistance again in the future.

Calendar Year 2010 Executive Order, Reducing Improper Payments High Dollar Report Review. As required by Executive Order 13520, Reducing Improper Payments High Dollar Report Review, OIG reviews agencies' quarterly reports on high-dollar overpayments in high-risk programs, and makes recommendations, as necessary, to help agencies recover and prevent high-dollar overpayments. According to the executive order, a high-dollar overpayment is one that exceeds 50 percent of the correct amount of the intended payment. Our review of the 2010 high-dollar report found that USDA submitted its high-dollar overpayment reports after the deadline, did not report all high-dollar overpayments, and was not accurately reporting its corrective actions. We also determined that USDA's current reporting format for listing overpayment amounts could be misleading. We recommended that the Department and its agencies take steps to formalize and improve their reporting processes. The Department concurred with our recommendations.

Calendar Year 2010 Executive Order 13520, Reducing Improper Payments Accountable Official Report Review. In Executive Order 13520, the President charged Federal agencies with reducing and preventing improper payments through increased transparency and improved agency accountability. The Executive Order further mandated that Federal agencies with high-priority programs submit an annual report to their respective inspectors general for review. For 2010, OMB identified FNS' SNAP and National School Lunch Program (NSLP) as high-priority programs. OIG reviewed FNS' report and found that FNS had made significant progress in reducing improper payments. However, we recommended that USDA continue to work with OMB to set reasonably aggressive improper payment reduction targets; document negotiations between USDA and OMB regarding reduction target determinations; and reassess NSLP's improper payment rate determination model to evaluate how precision can be determined and to modify the model, as necessary, in order to update the annual rate. FNS concurred with all of our recommendations.

Selected Examples of Recent Progress – Investigations:

FSA Fraud- Conversion/False Statements. An OIG investigation showed that a Louisiana doctor defrauded FSA by selling 4.5 million pounds of rice but never reporting the production. FSA later determined that the doctor's farming operation would not have been eligible to receive disaster benefits or an emergency loan totaling \$477,792 if the correct production had been reported. Additionally, OIG's investigation found that the doctor disposed of farm equipment, cotton gin equipment, and an airplane, all pledged as security for the emergency loan. None of the proceeds received from the sales of the aforementioned property were applied to FSA's loan, as required. In April 2011, in U.S. District Court, Western District of Louisiana, the doctor was sentenced to 24 months' incarceration, 36 months' probation, and ordered to pay \$344,515 in restitution.

RMA Crop Insurance. Working jointly with the RMA-Special Investigations Branch and the IRS-Criminal Investigation Branch, OIG found that a large number of farmers in North Carolina concealed their production and then subsequently filed false crop insurance claims based on non-existent losses. This was a far-reaching conspiracy, involving farmers, warehouse operators, insurance agents, and loss adjusters, all of whom assisted in filing false claims and concealing the farmers' actual production. To date, as a result of their involvement in this crop insurance scheme, 24 individuals have pled guilty to various crimes in Federal court for the Eastern District of North Carolina, and the following sentencing actions occurred within the past year:

- A crop insurance agent was sentenced to 30 months in prison and 3 years of probation after he pled guilty to charges of conspiracy to make materially false statements and conspiracy to commit money laundering. He was ordered to pay \$16.6 million in restitution, and forfeit \$366,307.
- A tobacco buyer pled guilty to the same violations and was sentenced to 18 months in prison and 3 years of probation. In addition to paying \$10.3 million in joint and several restitutions, the tobacco buyer was also ordered to forfeit \$647,139.
- A loss adjuster was sentenced to 1 year in prison, followed by 2 years of probation, after pleading guilty to charges of making false statements and aiding and abetting. The court also imposed a fine of \$158,000.
- A farmer was sentenced to 60 months of probation, fined \$3,000, and ordered to pay \$41,820 in restitution after pleading guilty to conspiracy to make false statements in connection with the Federal Crop Insurance Program.

- A tobacco warehouseman was sentenced to 48 months in prison, followed by 36 months of probation after pleading guilty to conspiracy to launder money. The court also imposed a fine of \$10,000.
- A farmer was sentenced to 1 day in prison, 60 months' probation, and was ordered to pay \$267,187 in restitution for his involvement in the scheme.
- Another farmer was sentenced to 1 day in prison, 36 months' probation, and was ordered to pay \$138,777 in restitution. The court also ordered that both farmers be excluded for 24 months from USDA programs.

SNAP EBT - Trafficking Fraud

Michigan Gas Station Owners Defraud SNAP and WIC. A Grand Rapids, Michigan, family used their gas station to defraud the SNAP and WIC Programs of approximately \$200,000 over a 3-year period. Because the owners and employees exchanged WIC and SNAP benefits for cash and accepted benefits in exchange for tobacco products and cell phone minutes, they were redeeming approximately \$25,000 a month in SNAP benefits while competitors in the area were redeeming only \$2,800. During the course of the investigation, the owner admitted to using the proceeds of this fraud to purchase a BMW automobile, which was seized by OIG. Agents also seized approximately \$80,000 in cash from the gas station and the owner's residence during the investigation. Each family member was indicted on charges of SNAP and WIC fraud, conspiracy, and money laundering. In July 2011, four individuals were sentenced to incarceration periods ranging from 21 to 27 months, restitution of \$197,235, and \$30,000 in fines. Two of the subjects resided in the United States illegally and are expected to be deported.

Illinois Convenience Store Manager Imprisoned for \$1.5 Million in SNAP Fraud. An OIG investigation found that both the owner and the manager of a store in Washington Park, Illinois, who were brothers, were trafficking in EBT benefits between October 2004 and October 2008. During the investigation, OIG discovered that the owner of the Washington Park store also owned a store in St. Louis, Missouri, and that his brother was managing that store and trafficking in EBT benefits there as well. The manager was arrested in May 2010 and charged with SNAP fraud to which he pled guilty.

In June 2011, in U.S. District Court, Southern District of Illinois, the manager was sentenced to 33 months of imprisonment and ordered to pay \$1.5 million in restitution for his role in SNAP trafficking at the Illinois store. After he completes his Federal prison sentence, he is subject to deportation to Jordan. The owner fled the country and remains a fugitive.

California Restaurant Owner Guilty of SNAP Fraud. In November 2008, OIG and Secret Service agents executed four search warrants at a restaurant authorized to accept SNAP benefits from recipients in exchange for hot meals, as well as at the restaurant owner's home. They arrested the owner and seized over \$360,000 from multiple accounts. The investigation disclosed that the owner caused more than \$1.3 million in SNAP benefits to be redeemed using an electronic benefit transfer-point of sale (EBT-POS) terminal registered to her restaurant by depleting multiple EBT cards of their balances one cent at a time. When the owner failed to report to her pre-sentencing interviews, she was subsequently arrested again and remanded into custody. In February 2011, in U.S. District Court, Central District of California, she was sentenced to 37 months' incarceration, followed by 2 years' supervised release, and was ordered to pay more than \$1 million in restitution.

FNS – Child and Adult Care Food Program. A joint investigation by USDA OIG, the Department of Health and Human Services OIG, and the FBI determined that the former nutrition specialist of a day care sponsoring organization in Georgia submitted false claims to receive excessive CACFP reimbursements and then laundered the proceeds through local businesses. In June 2011, the former nutrition director was sentenced in U.S. District Court, Southern District of Georgia, to 33 months in prison, followed by 36 months' probation, and ordered to pay \$173,257 in restitution. The court also ordered the forfeiture of BMW and Audi automobiles.

FNS- Child and Adult Care Food Program. From September 2005 to April 2006, a former administrator of a private charter school in Wisconsin submitted false meal reimbursement claims for more than 117,948 meals, totaling at least \$165,913, to the Wisconsin Department of Public Instruction. These false meal claims allowed the school to fraudulently receive more CACFP funds than it was entitled to. In January 2011, in U.S. District Court, Eastern

District of Wisconsin, the former administrator of the school was charged with five counts of mail fraud and one count of money laundering. He pled guilty to one count of mail fraud and one count of money laundering in March 2011. In August 2011, the former administrator was sentenced to 18 months of incarceration and 3 years of probation. He was also ordered to pay \$160,124 in restitution to the Wisconsin Department of Public Instruction.

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 Audit Work:

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

Pigford II-Distribution of Settlement Funds for Discrimination Litigation. As required by the Claims Resolution Act of 2010, we will review Pigford II adjudicated claims to determine whether USDA established and followed proper procedures for distributing the settlement funds and whether the funds were properly distributed to eligible claimants.

Review of the Office of the Assistant Secretary for Civil Rights' Oversight of Agreements Reached in Program Complaints. We are completing our work to assess USDA's process for settling with civil rights program complainants and to follow up on prior civil rights audit recommendations.

APHIS' Effectiveness of the Smuggling, Interdiction, and Trade Compliance (SITC) Unit. Our ongoing work is evaluating the effectiveness of APHIS' SITC unit to detect and prevent the unlawful entry and distribution of prohibited and/or non-compliant products that may harbor exotic plant and animal pests, diseases, or invasive species. In a *Fast Report* we found that APHIS implemented a database system in 2006 without ensuring that the system met Federal information systems security requirements. The database system contains private personal information, as well as sensitive information obtained from other agencies and departments. APHIS officials stated they had already notified the Department's OCIO regarding the existence of the database system, and would work with OCIO to complete the required certification and accreditation process. APHIS also agreed to review all APHIS servers, using available network scanning tools, develop a complete inventory of systems, and identify any unauthorized systems.

USDA's Consolidated and Agencies' Financial Statements. We will conduct our annual audit of the 2012/2013 USDA consolidated financial statements and the financial statements of the six stand-alone agencies and entities—FNS, FS, NRCS, Rural Development, the Federal Crop Insurance Corporation, and the Commodity Credit Corporation.

Federal Information Security Management Act Review. We will perform our mandated annual reviews for 2012 and 2013 of the security over USDA's IT resources to ensure that it complies with the Federal Information Security Management Act of 2002.

Section 632(a) Funds. As mandated by Section 632(a) of the Foreign Assistance Act of 1961, we are monitoring and evaluating agreed-upon controls established by USDA to ensure that funds transferred between the U.S. Agency for International Development and USDA are properly used.³

Effectiveness of the Department's Recent Efforts to Enhance Agricultural Trade. We are evaluating USDA's efforts to enhance agricultural trade in response to the President's March 2010 National Export Initiative. We are also following up on corrective actions taken by the Foreign Agricultural Service (FAS) on our 2007 audit on international trade.

Private Voluntary Organization Grant Fund Accountability. OIG is following up on our 2006 audit of FAS' food aid grant programs that private voluntary organizations administer. We are also evaluating FAS' internal control structure for ensuring that these voluntary and other non-governmental organizations make proper use of program funds.

NRCS Oversight and Compliance Activities. We are determining if NRCS' oversight and compliance activities are adequate to achieve effective and efficient operations, ensure compliance with laws and regulations, and ensure government resources are used to achieve intended program results.

Forest Service Firefighting Cost Share Agreements with Non-Federal Entities. We plan to evaluate the Forest Service's controls over fire-fighting cost-share agreements with non-Federal entities; determine if the Forest Service implemented the agreements correctly to distribute suppression costs equitably; and test whether reimbursements were properly determined and were consistent with the agreements.

Highlights of Current and Planned Investigations Work:

OIG 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 in the second phase of updating 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 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 digital evidence, the NCFD ensures that a thorough and accurate analysis is performed. The NCFD will continue to provide services, to include intrusion investigation, digital analysis in support of administrative and criminal investigations, and digital video recovery and surveillance support.

Public Corruption. OIG 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 is actively working to ensure that the results of our investigative work are shared with USDA agencies in a timely manner so that they can pursue administrative actions, including suspension and debarment against individuals or companies when warranted. Based upon requests from the OCIO, OIG provides a quarterly report detailing potentially actionable investigative results.

³ USAID will transfer approximately \$126.2 million to USDA to provide economic support for reconstruction and capacity building in Pakistan and Afghanistan.

Selected Examples of Recent Progress – Audit:

Review of Forest Service’s Contract for Fire Modeling Programs. In response to a hotline complaint alleging that the Forest Service’s Rocky Mountain Research Station mismanaged a \$7 million contract to develop computer software modeling the behavior, effect, and chemistry of fire, OIG did not find evidence that Forest Service staff or contractor employees engaged in fraud. However, during the administration of this contract, a Forest Service employee violated various Federal acquisition regulation requirements.

For example, the employee chose a contract typically used to procure IT equipment and software to procure fire model research and development services, and was able to make improper contracting decisions without detection because management was not properly overseeing her work. Due to her mistakes, the Forest Service did not award the contract in the best interest of the government and did not have reasonable assurance that the services were procured in the most cost-effective manner. We recommended that the Forest Service implement a contract review process to ensure that the contracts the station awards comply with Federal acquisition regulation requirements. The Forest Service generally agreed with our recommendations and is taking action to correct problems at Rocky Mountain Research Station.

2010 FSA Farm Assistance Program Payments. In order to assist American farmers and ranchers as they recover from losses caused by natural disasters, FSA operates a number of different programs, including the Supplemental Revenue Assistance Payments Program, the Livestock Forage Disaster Program, the Emergency Conservation Program, the Livestock Indemnity Program, and the Dairy Economic Loss Assistance Program. These five programs made \$2.4 billion in payments in 2010. OIG reviewed 130 of those payments, and found that 18 errors resulted in \$61,714 in improper payments. FSA officials agreed that corrective action was needed and have taken steps to reduce these errors by using additional tools to enhance the manual program payment calculation process.

Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance Withholdings/ Contributions and Supplemental Semiannual Headcount Report Submitted to OPM. As required annually by the OMB, we assisted the Office of Personnel Management (OPM) in assessing the reasonableness of retirement, health, and life insurance withholdings and employee data submitted by the Office of the Chief Financial Officer and the National Finance Center (NFC). We found no differences that exceeded the allowable OPM thresholds. For 2011, however, OPM added procedures for verifying Combined Federal Campaign (CFC) deductions made by the payroll providers. For one pay period, we identified over 5,000 records in NFC’s system where the CFC deductions were sent to different campaign areas than those designated by OPM. This represents approximately 5 percent of the total CFC deductions for all entities NFC services.

Federal Information Security Management Act (FISMA) Report 2011. In the 2011 audit, we reported that while improvements have been made in the Department’s IT security in the last decade, many longstanding weaknesses remain. As in the previous year’s FISMA audit, we continue to note 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 undertake a manageable number of its highest priority projects and it needs to show measurable progress towards the milestones for each active project. USDA’s inability to complete projects in a timely manner continues to hinder its progress towards improving its security posture.

OIG continues to consider this change in direction the best course of action for the Department’s IT security program. The 2011 FISMA report contained 10 recommendations, noting the areas where the Department needs to develop policy and/or procedures and enforce existing policies to ensure agency compliance. OCIO agreed with the findings in this report.

Statement on Standards for Attestation Engagement No. 16. In two separate reports, we determined that the description of controls by OCIO/National Information Technology Center (NITC), and by NFC, presented fairly, in all material ways, the relevant aspects of the controls in operation as of June 2011 and July 2011, respectively. 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 – 2011 Audit Opinions. The USDA Consolidated Financial Statement audit report, the Rural Development, Commodity Credit Corporation, Forest Service, FNS, and RMA/Federal Crop Insurance Corporation Financial Statement audit reports were issued with unqualified opinions for 2011 and 2010. The NRCS audit resulted in a disclaimer of opinion for 2011; 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 September 30, 2011. In addition, the independent public accountant identified seven deficiencies. Specifically, KPMG identified weaknesses in NRCS' accounting and controls over undelivered orders; accounting and controls over accrued expenses; controls over financial reporting; accounting and controls for property, plant, and equipment; general and application access controls; accounting and controls over the revenue and unfilled customer orders; and controls over purchase and fleet card transactions. The first five deficiencies are considered to be material weaknesses and the last two to be significant deficiencies.

The internal control reports over financial reporting identified two and six 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 eight significant deficiencies. Additionally, the reports on compliance and other matters identified two and nine instances of noncompliance for the consolidated USDA and stand alone entities, respectively.

Selected Examples of Recent Progress – Investigations:

Public Corruption – Theft of Government Property. An OIG investigation disclosed that an APHIS entomologist in Phoenix, Arizona, removed approximately \$180,000 of scientific equipment from several labs he was working in and pawned them at local pawn shops. He used the lab equipment to secure cash loans and later repaid the loans. In addition, the employee misused his government-issued credit card to take a cash advance from a casino. When interviewed, the employee admitted he had a gambling problem and was subsequently placed on indefinite suspension without pay. OIG special agents recovered all the scientific lab equipment from the pawn shop. In May 2010, the employee pled guilty in the U.S. District Court, District of Arizona, to theft of government property. He was sentenced in January 2011 to 3 years' probation and ordered to pay \$13,691 in restitution. He also resigned from his position.

Public Corruption – Embezzlement. In June 2011, a former Forest Service accountant was sentenced in U.S. District Court, Central District of California, to 4 years' incarceration, followed by 3 years' supervised release, for mail fraud, and was ordered to pay restitution of \$1.1 million. These charges resulted from a yearend review that disclosed that more than \$600,000 was missing from funds the agency collects to provide a service to private vendors in one of the national forests in California. OIG's investigation revealed that an accountant who had worked for the Forest Service had embezzled approximately \$1.4 million by redirecting funds from multiple private vendor accounts to a corporation that she and her husband owned. The fraud scheme involved cutting and pasting language from legitimate expired agreements into fraudulent agreements and refund request letters, and then directing Treasury checks to be sent to her corporation's address. During the investigation, OIG and the Secret Service seized more than \$339,000 from her bank account.

Public Corruption- False Claims. In June 2011, in U.S. District Court, Southern District of Mississippi, an NRCS employee entered a guilty plea for submitting false claims to the agency that employed him. Our investigation found that the employee had submitted a \$22,000 invoice in January 2008 for the construction of a pond on property he owned in Mississippi, even though he only paid the contractor \$15,000 for the pond. Based on this false invoice, NRCS authorized a cost-share payment of \$10,000. Additionally, the NRCS employee obstructed the investigation by bribing the contractor who built the pond to provide false information to investigators. In September 2011, the employee was sentenced to 24 months' probation, 6 months' home confinement, and was ordered to pay more than \$8,000 in fines and restitution. He retired from his position in June 2011.

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 with 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 Audit Work:

Evaluating the Forest Service's Processes to Obtain and Grant Rights of Way and Easements (ROW&E). Our audit is determining if the Forest Service 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 are also determining if the Forest Service has adequately planned for how changing land use patterns and the use of ROW&E will affect the Forest Service mission areas.

Management of Oil and Gas Resources on National Forest System Land. We are evaluating the Forest Service's management of oil and gas resources on National Forest System land. Specifically, we are assessing potential weaknesses we previously identified when we surveyed the agency's implementation of the National Energy Policy Act.

Highlights of Current and Planned Investigations Work:

Wildland Fire Investigations Team. OIG 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 burn over 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. We are required to train, outfit, and certify WFIT team members every year, even though in some years there are no Forest Service firefighting fatalities resulting from wildfire entrapment or burn over.

Selected Examples of Recent Progress – Audit:

Forest Service Administration of Special Uses Program. Entrusted with managing over 193 million acres of forests and grasslands within the National Forest System, the Forest Service is responsible for processing thousands of applications to use Federal lands for a wide variety of purposes, including oil and gas pipelines, electrical transmission facilities, setting up communication relays, bottling spring water, and outfitting and guiding backcountry and river trips. Our review of the Special Use Program found a number of limitations with how the Forest Service currently operates the program, limitations that restrict the program's effectiveness. With the exception of fees for commercial filming, the Forest Service cannot keep the fees it charges for land use authorizations even though the agency needs funds to better operate the program. In 2008, the Forest Service collected \$13.4 million for land use authorizations that it submitted to the Department of the Treasury, and was able to retain only \$400,000. With respect to recreation use authorizations, the Forest Service sent \$57.1 million to Treasury and was able to retain \$10.4 million in fees for outfitting and guiding and recreation events. At its current level of funding, the Special Use Program was forced to turn away applicants due to a lack of resources.

Without the funds it needs to perform National Environmental Policy Act reviews and communication site management plans for communication relays, the Forest Service has a backlog of overdue work, including more than 3,500 expired authorizations, 106 uninspected special use land authorizations, and 967 communication sites

without current communication site management plans (these plans are needed to make sure communication relays do not interfere with each other). Overall, the Forest Service must take steps to secure for the Special Use Program the resources needed to accomplish the program's mission. One of the keys to correcting these resource shortfalls is seeking authority for the Forest Service to keep the fees the program collects—those fees can then be used to provide additional resources for the program. FS officials generally agreed with our recommendations to seek additional authority to keep the fees and hire the personnel needed to fully operate the program.

Forest Service Forest Legacy Program. The Forest Service Forest Legacy Program supports States' efforts to protect environmentally important forests by assisting States in purchasing conservation easements or lands. Since the inception of the program in 1990, the Forest Service has provided over \$595 million to conserve private forests, and has protected nearly 2 million acres in 43 States and territories. Although the Forest Service made efforts to improve its management and oversight of the Forest Legacy Program after a 2002 review by the U.S. House of Representatives Committee on Appropriations, OIG found that FS needs to take additional steps to improve the program by strengthening oversight over how easements are appraised, by ensuring that States monitor the easements and verify that the landowner abides by the terms of the agreements, and by standardizing conservation easement agreements. The Forest Service generally agreed with our recommendations and is taking appropriate corrective action.

Selected Example of Recent Progress – Investigations:

Natural Resources Conservation Service (NRCS)-False Claims. The U.S. District Court, Northern District of Texas, sentenced three west Texas irrigation companies to 5 years' probation and ordered them each to pay a \$400 fine and \$50,000 in restitution, after they pled guilty to submitting inflated invoices to obtain excessive cost-share reimbursements through the NRCS EQIP. In addition, one corporate officer agreed to enter into the Pre-trial Diversion Program administered by the U.S. Attorney's Office, Northern District of Texas; he subsequently paid a \$15,000 fine and was debarred from all NRCS programs for 60 months. OIG worked this investigation jointly with the IRS-Criminal Investigations Division.

OFFICE OF INSPECTOR GENERAL

Summary of Budget and Performance
Statement of Agency Goals and Objectives

The Office of Inspector General (OIG) was established pursuant to the Inspector General Act of 1978 (5 U.S.C. app. 3). The Mission of the agency is to promote effectiveness and integrity in the delivery of USDA agricultural programs.

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

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcomes
OIG supports all USDA Strategic Goals	Strengthen USDA’s ability to implement safety and security measures to protect the public health as well as agricultural and Departmental resources.	Target resources to address those critical risks.	Audit/ Investigations	1. 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.
	Reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to program participants.	Target resources to address those critical risks.	Audit/ Investigations	2. 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.

USDA Strategic Goal	Agency Strategic Goal	Agency Objective	Programs that Contribute	Key Outcomes
	Support USDA in implementing its management improvement initiatives.	Target resources to address those critical risks.	Audit/ Investigations	<p>3. Establishment of prevention and detection methods to reduce program losses.</p> <p>4. Continuous evaluation of our technological and physical resources to aid USDA in facing new technology-based and information to aid USDA in facing new technology-based and information security challenges to reduce fraud, waste and abuse in Federal programs.</p>
OIG supports all USDA Strategic Goals	Increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources.	Target resources to address those critical risks.	Audit/ Investigations	5. Definition of criteria to establish priorities in terms of dollars; level of Congressional, Departmental, or public interest; risk factors; or other concerns.
	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.	Hire, train, develop, motivate and effectively manage a high-performing and diverse frontline, supervisory, and executive workforce with the technical and workplace skills necessary to meet OIG's strategic goals and plans.	OIG supports all USDA Strategic Goals	6. Utilization of self-assessment tools, such as surveys, to continually measure the impact of our human capital efforts and organizational progress.

USDA Strategic Goal	Agency Strategic Goal	Agency Objective	Programs that Contribute	Key Outcomes
		<p>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.</p> <p>Enhance internal OIG 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>7. Achievement of human capital development goals by improving our recruitment, hiring and training of a diversified skilled workforce.</p>

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.
- Definition of criteria to establish priorities in terms of dollars; level of Congressional, Departmental, or public interest; risk factors; or other concerns
- 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.

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.
- OIG Hotline will process, research, and refer USDA health and safety complaints within 24 hours of receipt by an analyst.

Past Accomplishments Toward Achievement of Key Outcomes: During the period of 2009 through 2011, 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 \$4.7 billion for 2009, 2010, and 2011, while investigative funding for the same period of time was about \$133.8 million, a potential return of \$35.30 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 2009, 2010, and 2011, while audit funding for the same period of time was about \$128.5 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.
- 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 2013 Proposed Resources Level: Annually, OIG identifies the most significant USDA programs for audit and allocates resources to these areas. During 2013, OIG will use its audit resources to evaluate how well the Department has accomplished its strategic goals and objectives. Additionally, the following are items of high priority.

- Audits involving animal, plant and health inspections.
- Audits on USDA’s compliance with the Improper Payments Elimination and Recovery Act (IPERA) of 2010, and review agencies methodologies and plans to reduce improper payments.
- 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.

Strategic Goal Funding Matrix

(Dollars in thousands)

Program/ Program Items	2010	2011	2012	2013	
	Actual	Actual	Estimate	Change	Estimate
OIG supports all Department Strategic Goals					
Audit.....	\$43,267	\$43,337	\$41,954	+\$1,664	\$43,618
Staff Years.....	303	310	294	-	294
Investigations.....	45,033	45,106	43,667	+1,731	45,398
Staff Years.....	290	298	283	-	283
Total Costs, All Strategic Goals.....	88,300	88,443	85,621	3,395	89,016
Total Staff Years, All Strategic Goals.....	593	608	577	-	577
Emergency Supplemental.....	709	50	50	-	50
Recovery Act.....	7,520	3,280	7,692	-7,692	-
Total Costs, All Strategic Goals.....	96,529	91,773	93,363	-4,297	89,066
Total FTEs, All Strategic Goals.....	593	608	577	-	577

OFFICE OF INSPECTOR GENERAL

Summary of Budget and Performance
Key Performance Outcomes and MeasuresAgency Strategic 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.

Performance Measures

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Target	2013 Target
a. Number of Audits	47	84	61	53	45	46	46
b. Dollars (in thousands)	\$38,882	\$38,698	\$41,964	\$43,267	\$43,337	\$41,954	\$43,618

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Target	2013 Target
a. Number of Investigations	126	283	275	275	359	360	360
b. Dollars (in thousands)	\$40,468	\$40,275	\$43,676	\$45,033	\$45,106	\$43,667	\$45,398

OFFICE OF INSPECTOR GENERAL

Full Cost by Agency Strategic Goal

(Dollars in thousands)

OIG supports all Department Strategic Goals

Program/ Program Items	2010	2011	2012	2013
	Actual	Actual	Estimate	Estimate
Audit.....	\$43,267	\$43,337	\$41,954	\$43,618
Total Costs.....	43,267	43,337	41,954	43,618
FTEs.....	303	310	294	294
Performance Measure:				
Number of Audits.....	53	45	46	46
Cost per measure (unit cost).....	914	886	910	935
Investigation.....	45,033	45,106	43,667	45,398
Total Costs.....	45,033	45,106	43,667	45,398
FTEs.....	290	298	283	283
Performance Measure:				
Number of Investigations.....	275	359	360	360
Cost per measure (unit cost).....	2,048	1,524	1,565	1,607
Emergency Supplemental.....	709	50	50	50
Recovery Act.....	7,520	3,280	7,692	-
Total Costs.....	8,229	3,330	7,742	50
Total Costs, All Strategic Goals.....	96,529	91,773	93,363	89,066
Total FTEs, All Strategic Goals.....	593	608	577	577