

2016 Explanatory Notes
Office of Inspector General

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OFFICE OF INSPECTOR GENERAL

Purpose Statement

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

The OIG appropriation funds activities 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 Oakland, California. As of September 30, 2014, OIG had 491 permanent full-time employees, including 117 employees located in the Washington, D.C., metropolitan area and 374 located in the field.

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Available Funds and Staff Years (SY)
(Dollars in thousands)

Item	2013 Actual		2014 Actual		2015 Enacted		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Salaries and Expenses:								
Discretionary Appropriations.....	\$89,016	520	\$89,902	494	\$95,026	525	\$98,902	531
Rescission.....	-2,411							
Sequestration.....	-4,307	-						
Adjusted Appropriation.....	82,298	520	89,902	494	95,026	525	98,902	531
Balance Available, SOY.....	3,539	-	2,570	-	1,704	-	900	-
Total Available.....	85,837	520	92,472	494	96,730	525	99,802	531
Lapsing Balances.....	-335	-	-6,222	-	-	-	-	-
Balance Available, EOY.....	-2,570	-	-1,704	-	-900	-	-96	-
Obligations.....	82,932	520	84,546	494	95,830	525	99,706	531
Obligations under other USDA appropriations:								
Risk Management Agency:								
Audit of Financial Statements.....	285	-	281	-	-	-	-	-
Food and Nutrition Services								
Audit of Financial Statements.....	921	-	1,006	-	1,006	-	1,006	-
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).....	75	-	40	-	15	-	-	-
Foreign Agricultural Services - Afghanistan								
Audit of Financial Statements.....	120	-	-	-	-	-	-	-
Forest Service								
Audit of Financial Statements.....	-	-	400	-	400	-	400	-
Department of Education.....	10	-	-	-	-	-	-	-
Total, Other USDA.....	3,211	-	3,527	-	3,221	-	3,206	-
Total, OIG.....	86,143	520	88,073	494	99,051	525	102,912	531

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Permanent Positions by Grade and Staff Year Summary

Item	2013 Actual			2014 Actual			2015 Enacted			2016 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.....	9	-	9	9	-	9	9	-	9	9	-	9
GS-15.....	14	14	28	12	14	26	12	14	26	12	14	26
GS-14.....	39	54	93	36	53	89	36	53	89	36	53	89
GS-13.....	25	164	189	25	134	159	25	134	159	25	134	159
GS-12.....	9	98	107	9	97	106	9	97	106	9	103	112
GS-11.....	5	47	52	5	48	53	5	48	53	5	48	53
GS-9.....	14	17	31	14	17	31	14	17	31	14	17	31
GS-8.....	2	10	12	2	10	12	2	10	12	2	10	12
GS-7.....	3	21	24	4	21	25	4	21	25	4	21	25
GS-6.....	3	1	4	3	1	4	3	1	4	3	1	4
GS-5.....	6	4	10	6	4	10	6	4	10	6	4	10
Total Perm. Positions.....	130	430	560	126	399	525	126	399	525	126	405	531
Unfilled, EOY..	14	36	40	9	22	31	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY.....	116	394	520	117	377	494	126	399	525	126	405	531
Staff Year Est..	116	394	520	117	377	494	126	399	525	126	405	531

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.

Changes to the motor vehicle fleet. Eleven additional motor vehicles will be obtained from the GSA used vehicle list versus ordering brand new vehicles for new hires anticipated during the Fiscal Year.

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.

OFFICE OF INSEPECTOR GENERAL
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						
2013	94	15	49	2	-	-	-	160	\$850
Change	-15	+8	-4	-2	-	-	-	-13	-13
2014	79	23	45	-	-	-	-	147	837
Change	+4	+14	-9	-	-	-	-	+9	+113
2015	83	37	36	-	-	-	-	156	950
Change	+7	+4	-	-	-	-	-	+11	+\$100
2016	90	41	36	-	-	-	-	167	1,050

* 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.

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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, [\$95,026,000] \$98,902,000, 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 payment of informants, to be expended under the direction of the Inspector General pursuant to Public Law 95-452 and section 1337 of Public Law 97-98.

IG Reform Act of 2008

As directed by Section 8, Submission of Budget Request to Congress, of the Inspector General Reform Act of 2008 (P.L. 110-409), USDA is providing additional information regarding the OIG budget request. The OIG request for FY 2016 is \$98,902,000. Of this amount, \$267,035 is to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

Lead-Off Tabular Statement

Budget Estimate, 2016.....	\$98,902,000
2015 Enacted.....	<u>95,026,000</u>
Change in Appropriation.....	<u>+ 3,876,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

	<u>2013</u> <u>Actual</u>	<u>2014</u> <u>Change</u>	<u>2015</u> <u>Change</u>	<u>2016</u> <u>Change</u>	<u>2016</u> <u>Estimate</u>
Discretionary Appropriations:					
Audit.....	\$40,326	+\$3,726	+\$2,511	+\$1,899	\$48,462
Investigations.....	41,972	+3,878	+2,613	+1,977	50,440
Total Discretionary Appropriations.....	<u>82,298</u>	<u>+7,604</u>	<u>+5,124</u>	<u>+3,876</u>	<u>98,902</u>

OFFICE OF INSPECTOR GENERAL

Project Statement
Adjusted Appropriations Detail and Staff Years (SYs)
(Dollars in thousands)

Program	<u>2013 Actual</u>		<u>2014 Actual</u>		<u>2015 Enacted</u>		<u>Inc. or Dec.</u>		<u>2016 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Audit Staff.....	\$40,326	265	\$44,052	252	\$46,563	268	+1,899	+3	\$48,462	271
Investigations Staff.....	41,972	255	45,850	242	48,463	257	+1,977	+3	50,440	260
Total Adjusted Approp...	82,298	520	89,902	494	95,026	525	+3,876	+6	98,902	531
Rescissions, Transfers and Seq. (net).....										
	6,718	-	-	-	-	-	-	-	-	-
Total Appropriation.....	89,016	520	89,902	494	95,026	525	+3,876	+6	98,902	531
Rescission.....	-2,411	-	-	-	-	-	-	-	-	-
Sequestration.....	-4,307	-	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	+3,539	-	+2,570	-	+1,704	-	-804	-	+900	-
Total Available.....	85,837	520	92,472	494	96,730	525	+3,072	+6	99,802	531
Lapsing Balances.....	-335	-	-6,222	-	-	-	-	-	-	-
Bal. Available, EOY.....	-2,570	-	-1,704	-	-900	-	+804	-	-96	-
Total Obligations.....	82,932	520	84,546	494	95,830	525	+3,876	+6	99,706	531

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Project Statement
Obligations Detail and Staff Years (SYs)
(Dollars in thousands)

Program	<u>2013 Actual</u>		<u>2014 Actual</u>		<u>2015 Enacted</u>		<u>Inc. or Dec.</u>		<u>2016 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Audit.....	\$40,637	265	\$41,428	252	\$46,957	268	+\$1,899	+3	\$48,856	271
Investigations.....	42,295	255	43,118	242	48,873	257	+1,977	+3	50,850	260
Total Obligations.....	82,932	520	84,546	494	95,830	525	+3,876	+6	99,706	531
Lapsing Balances.....	335	-	6,222	-	-	-	-	-	-	-
Bal. Available, EOY.....	2,570	-	1,704	-	900	-	-804	-	96	-
Total Available.....	85,837	520	92,472	494	96,730	525	+3,072		99,802	531
Rescission.....	2,411	-	-	-	-	-	-	-	-	-
Sequestration.....	4,307	-	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	-3,539	-	-2,570	-	-1,704	-	+804	-	-900	-
Total Appropriation.....	89,016	520	89,902	494	95,026	525	+3,876	+6	98,902	531

Justification of Increases and Decreases

- (1) An increase of \$3,876,000 (\$95,026,000 and 525 staff years available in 2015).

Base funds will allow the Office of Inspector General (OIG) to conduct and supervise audits and investigations to prevent and detect fraud, waste, and abuse and to improve the effectiveness of United States Department of Agriculture (USDA) programs and operations. As the law enforcement arm of USDA, OIG also investigates criminal activity involving the Department’s programs and personnel. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the office.

The funding change is requested for the following items:

- a. An increase of \$926,000 for pay costs (\$186,000 for annualization of the 2015 pay increase and \$740,000 for the anticipated 2016 pay increase).

This increase will allow OIG to continue to meet its objective of conducting and supervising of 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.

- b. An increase of \$700,000 and 6 staff years to support the Department in addressing a material weakness reported as part of the consolidated financial statement audit.

Simultaneous reviews of 1 to 2 information system security controls per year for each agency and office would provide the Department with an action plan setting agency milestones to achieve compliance with current National Institute of Standards and Technology (NIST) guidelines. The NIST Special Publication 800-53 rev. 4, *Security and Privacy Controls for Federal Information Systems*, requires security controls for Federal information systems. There are 21 baseline security controls that cover 17 areas, for example, access control, incident response, business continuity, and disaster recoverability. OIG would determine which security controls have the highest risk and focus on those areas first. In subsequent years, OIG would select additional security controls based on risk. With our current IT audit staff, we are only able to review selected security controls for two to four agencies a year. Funding for this audit initiative at the 2016 budget request level should

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improve USDA's overall agency performance in managing information security risk and security posture as OIG reviews move down the list of security controls, based on risk.

c. An increase of \$1,619,691 for Creating and Staffing an Audit Center of Excellence

Originally this was included in our FY 2015 budget; however, it was not considered in the omnibus process. If funded in FY 2016, this initiative would provide value for USDA programs and operations. USDA administered 16 programs that OMB identified as high risk. Currently, seven component agencies administer these programs: Farm Service Agency (FSA), Commodity Credit Corporation, Food and Nutrition Service (FNS), Forest Service, Natural Resources Conservation Service (NRCS), Risk Management Agency (RMA), and Rural Development. Our initiative to review agency program vulnerabilities will enhance the Department's oversight of improper payments. Audit's Center of Excellence would have a data analysis component which would determine if there were any data anomalies within the USDA high-risk programs' payments. This would complement Audit's planning and execution of reviews to evaluate the methodology of the component's improper payment error rate. For example, RMA's Federal crop insurance program is emphasized more and more as the primary risk management tool for American producers. Because of increased commodity price volatility due to climate/weather effects, the Federal crop insurance program faces greater vulnerabilities and financial exposure. Currently, RMA, under the direction of OMB, is revamping its methodology for determining improper payment error rates.

OIG's ability to evaluate the methodology for determining the improper payment error rate and identifying the systemic causes for the improper payments would enable the Department to provide better assurance that the program is effectively administered and implement any corrective actions necessary to reduce improper payments, thereby meeting the congressionally mandated goals of the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Improvement Act of 2010.

d. An increase of \$268,274 for GSA Rental Payments and DHS Payments

GSA Rental Payments and DHS Payments have been decentralized. Original estimate of \$5,198,000 was submitted in FY 2015 in support of the shared cost of GSA rent and DHS space across the continental United States. FY 2016 President's Budget includes an increase of \$268,274 for GSA rent and DHS security payments.

e. An increase of \$95,000 for Federal Employee Health Benefits (FEHB) for seasonal workers

On January 1, 2015, the Office of Personnel Management is expanding FEHB coverage to seasonal workers. As finalized in the FEHB Expansion Notice of Proposed Rulemaking (NPRM), agencies will be required to expand eligibility for coverage under FEHB to certain temporary, seasonal and/or intermittent employees who are identified as full-time employees. The increase will support this change.

f. An increase of \$267,035 for 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 of 1978, 5 U.S.C. App.3, was amended to require certain specifications concerning OIG budget submissions each fiscal year. This funding will specifically support coordinated government-wide activities that identify and review areas of weakness and vulnerability in Federal programs and operations with respect to fraud, waste and abuse. This increase is requested under the authority of the Inspector General Reform Act of 2008 to coordinate Federal efforts to improve program delivery.

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Geographic Breakdown of Obligations and Staff Years
(Dollars in thousands and Staff Years (SYs))

State/Territory	2013 Actual		2014 Actual		2015 Enacted		2016 Estimate	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
California.....	\$9,842	61	\$9,072	53	\$11,317	62	\$11,642	62
Georgia.....	9,035	56	9,413	55	10,404	57	10,703	57
Illinois.....	8,390	52	8,728	51	9,674	53	9,952	53
Maryland.....	11,940	74	11,809	69	11,865	65	12,205	65
Missouri.....	18,555	115	18,826	110	19,714	108	20,842	111
Texas.....	9,197	57	9,755	57	11,135	61	11,454	61
District of Columbia.....	15,973	105	16,943	99	21,721	119	22,908	122
Obligations.....	82,932	520	84,546	494	95,830	525	99,706	531
Lapsing Balances.....	335	-	6,222	-	-	-	-	-
Bal. Available, EOY.....	2,570	-	1,704	-	900	-	96	-
Total, Available.....	85,837	520	92,472	494	96,730	525	99,802	531

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Classification by Objects
(Dollars in Thousands)

	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Personnel Compensation:				
Washington D.C.....	\$8,376	\$7,974	\$8,949	\$9,538
Field.....	44,363	41,281	44,118	46,101
11 Total personnel compensation.....	52,739	49,255	53,067	55,639
12 Personal benefits.....	17,870	18,622	20,446	21,750
13.0 Benefits for former personnel.....	10	10	10	10
Total, personnel comp. and benefits.....	70,619	67,887	73,523	77,399
Other Objects:				
21.0 Travel and transportation of persons.....	1,562	3,050	3,669	3,669
22.0 Transportation of things.....	85	186	186	186
23.1 Rental payments to GSA.....	41	73	5,930	6,071
23.2 Rental payments to others.....	231	439	439	439
23.3 Communications, utilities, and misc. charges...	932	2,015	1,156	1,015
24.0 Printing and reproduction.....	44	116	116	116
25.1 Advisory and assistance services.....	1,124	1,177	1,177	1,177
25.2 Other services from non-Federal sources.....	913	951	951	951
25.3 Other purchases of goods and services from Federal sources.....	1,475	1,911	1,911	1,911
25.4 Operation and maintenance of facilities.....	1,022	1,440	1,440	1,440
25.5 Research and development contracts.....	702	729	729	729
25.6 Medical care.....	704	732	732	732
25.7 Operation and maintenance of equipment.....	984	1,375	1,436	1,436
25.8 Subsistence and support of persons.....	70	85	85	85
26.0 Supplies and materials.....	395	555	555	555
31.0 Equipment.....	1,784	1,550	1,550	1,550
42.0 Insurance & Indemnities.....	245	275	245	245
Total, Other Objects.....	12,313	16,659	22,307	22,307
99.9 Total, new obligations.....	82,932	84,546	95,830	99,706
Position Data:				
Average Salary (dollars), ES Position.....	\$171,000	\$173,000	\$174,000	\$175,300
Average Salary (dollars), GS Position.....	\$95,300	\$95,400	\$96,500	\$97,800
Average Grade, GS Position.....	12.9	12.9	12.9	12.10

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Shared Funding Projects
(Dollars in thousands)

	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Working Capital Fund:				
Administration:				
Beltsville Service Center.....	\$59	\$69	\$52	\$50
Procurement Operations.....	1	1	2	2
Mail and Reproduction Management.....	140	103	120	121
Integrated Procurement System.....	117	117	183	183
Subtotal.....	317	290	357	356
Communications:				
Creative Media & Broadcast Center.....	6	-	15	1
Finance and Management:				
NFC/USDA.....	175	186	136	133
Controller Operations.....	438	293	266	279
Financial Systems.....	140	136	139	135
Subtotal.....	753	615	541	547
Information Technology:				
NITC/USDA.....	319	266	431	436
International Technology Services.....	31	15	18	18
Telecommunications Services.....	127	124	140	148
Subtotal.....	477	405	589	602
Correspondence Management.....	13	11	12	12
Total, Working Capital Fund.....	1,566	1,321	1,499	1,518

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Shared Funding Projects
(Dollars in thousands)

	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Enacted</u>	<u>Estimate</u>
Departmental Shared Cost Programs:				
1890's USDA Initiatives.....	16	15	15	15
Classified National Security Information.....	-	-	5	5
Continuity of Operations Planning.....	11	11	11	11
E-GOV Initiatives HSPD-12.....	36	36	34	34
Emergency Operations Center.....	13	12	12	12
Facility and Infrastructure Review and Assessment.....	2	2	2	2
Faith-Based Initiatives and Neighborhood Partnerships.....	2	1	2	2
Federal Biobased Products Preferred Procurement Program	2	2	-	-
Hispanic-Serving Institutions National Program.....	11	11	10	10
Human Resources Transformation (inc. Diversity Council)..	9	9	9	9
Medical Services.....	5	5	10	11
People's Garden.....	3	3	4	3
Personnel Security Branch (was PDSD).....	35	50	43	43
Pre-authorizing Funding.....	18	19	19	19
Retirement Processor/Web Application.....	3	3	3	3
Sign Language Interpreter Services.....	13	7	-	-
TARGET Center.....	5	5	7	7
USDA 1994 Program.....	4	4	4	4
Virtual University.....	11	10	10	10
Visitor Information Center.....	1	1	-	-
Total, Departmental Shared Cost Programs.....	<u>200</u>	<u>206</u>	<u>200</u>	<u>200</u>
E-Gov:				
Budget Formulation and Execution Line of Business.....	-	1	1	1
Enterprise Human Resources Integration.....	-	12	11	11
Rulemaking.....	-	-	-	-
E-Training.....	-	15	14	14
Financial Management Line of Business.....	-	1	1	1
Human Resources Line of Business.....	-	1	1	1
Integrated Acquisition Environment - Loan and Grants.....	-	10	10	10
Integrated Acquisition Environment.....	-	4	3	3
Recreation One-Stop.....	-	-	-	-
Total, E-Gov.....	<u>-</u>	<u>44</u>	<u>41</u>	<u>41</u>
Agency Total.....	<u>1,766</u>	<u>1,571</u>	<u>1,740</u>	<u>1,759</u>

OFFICE OF INSPECTOR GENERAL

Status of Programs

The Office of Inspector General (OIG) operates independently from the other agencies within 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 such as, 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 2014, OIG issued 334 investigative reports and 36 audit reports. Audit and Investigative results totaled \$700 million. OIG investigations resulted in 846 indictments and 609 convictions. The period of time to obtain results following an indictment varies widely; therefore, the 609 convictions are not necessarily related to the 846 indictments. Our return on investments is \$7.78 for every dollar invested in OIG in 2014.

Audit Monetary Results (in millions). During 2014, management decisions were made on 28 audit reports, which included both current and prior year audit reports. At the time of report issuance, the monetary values agreed to by agencies were:

	<u>(in millions)</u>
Questioned and unsupported costs and loans	\$191.0
Funds to be put to better use	<u>134.4</u>
Total audit monetary results	325.4

<u>Investigative Monetary Results:</u>	<u>(in millions)</u>
Claims established	\$177.7
Recoveries and collections	8.4
Cost avoidance (USDA program payments not made due to OIG investigations)	4.3
Fines	3.6
Administrative Penalties	0.1
Asset forfeitures	14.0
Restitution	<u>166.5</u>
Total investigative monetary results	374.6

OIG's audit and investigatory work for 2014 is summarized below in three main challenge areas that we have identified for the U.S. Department of Agriculture (USDA). These areas – (1) safety and security measures to protect public health and resources; (2) integrity of benefits and entitlements programs, and (3) USDA's management improvement initiatives – 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.

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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:

Food Safety Inspection Service (FSIS) Ground Turkey Inspection and Safety Protocols. The overall objective is to review the inspection of ground turkey, including sampling and testing protocols to evaluate the effectiveness of the program.

Agricultural Research Service (ARS) Controls Over Sensitive Technology. We will assess ARS' policies and procedures for identifying, approving, and monitoring sensitive or dual-use research. Additionally, we will determine if ARS has designed and implemented the controls recommended in the prior audit to ensure sensitive technology has not been susceptible to questionable transfer.

Controls Over Animal and Plant Health Inspection Service (APHIS) Introduction of Genetically Engineered Organisms. The objective is to determine whether APHIS has established adequate controls over the introduction of genetically engineered (GE) organisms. Specifically, we will assess controls to minimize the inadvertent release of GE organisms and provide reasonable assurance that movements and releases of GE organisms in the environment are in accordance with laws and regulations. As part of this audit, we also plan to follow-up on recommendations made in OIG's report 50601-08-Te, APHIS Controls Over Issuance of Genetically Engineered Organisms Release Permits.

Agricultural Marketing Service (AMS) Procurement and Inspection of Fruits and Vegetables. Evaluate whether AMS has adequate controls to ensure (1) processed fruits and vegetables are procured in compliance with Federal purchasing regulations and (2) vendors' facilities and products are timely and effectively inspected.

Highlights of Current and Planned Investigations Work:

Food Safety and Defense. OIG's 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.

Smuggling of Prohibited Items. OIG continues to investigate 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. OIG will also investigate smuggling and other improprieties involving the export of adulterated or unsafe poultry, meat, and other USDA-regulated items.

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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.

Threats to USDA Employees and Facilities. OIG vigorously investigates 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. OIG works 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:

APHIS Controls Over Preclearance Offshore Program. Although OIG did not identify any specific instances where harmful pests entered the United States, we concluded that APHIS' Plant Protection and Quarantine (PPQ) program did not have sufficient management controls to ensure that the Preclearance Offshore Program (Preclearance Program) was able to effectively protect U.S. agriculture from foreign pests and diseases. Specifically, PPQ officials did not implement management controls, such as performance measures, to assess the effectiveness of the program, identify or analyze risks after accepting countries into the program, and create an internal control structure to facilitate adequate supervision and documentation of program reviews. This occurred because PPQ did not define clear reporting requirements, roles, and processes when the Preclearance Program came under PPQ's control in FY 2011. The lack of oversight from the top levels of the agency has affected all aspects of the Preclearance Program's administration. We found that Preclearance Program managers did not read reports from the inspectors they oversee, despite the fact that these reported work plan violations. We also found that all 12 of the work plans we reviewed did not have criteria showing consequences for repeated noncompliance, and 58 percent of the plans we reviewed did not include an effective sampling methodology. Also, PPQ did not have a formal training program in place. These issues could potentially put the United States at risk for the introduction of foreign pests and diseases. APHIS officials stated that they are developing policies and procedures to address these issues and to ensure consistency and transparency in program processes.

Selected Examples of Recent Investigations:

Food Safety and Defense: Adulteration. As a result of an investigation into allegations of the mistreatment of cattle destined for slaughter and the adulteration of meat distributed to the National School Lunch Program, a California probate court in November 2013, approved a multi-million dollar settlement agreement. Six defendants agreed to a civil settlement in which one of the subsidiary companies agreed to enter into a consent judgment of \$155 million in favor of the United States. The other defendants agreed to pay the United States approximately \$2.7 million and an animal welfare group approximately \$112,000. Two defendants had previously entered into a settlement agreement to pay the United States over \$304,000 and an animal welfare group over \$19,000. The settlements resulted from a *qui tam* civil complaint filed by the animal welfare group against the company and its entities, which prompted an investigation by OIG and the U.S. Attorney's Office for the Central District of California. Additionally, in December 2013, the U.S. Court of Federal Claims ruled in favor of the Government's counterclaim, in the amount of \$13.6 million, that stemmed from a civil suit filed by one of the companies in April 2009.

Food Safety and Defense: Adulteration. In December 2013, in U.S. District Court, District of Nebraska, the co-owner of a meat processing plant that distributed mislabeled and uninspected meat was sentenced to 18 months of incarceration, followed by 12 months of supervised release, and ordered to pay a fine of \$8,450 and a \$100 special assessment. In March 2014, his wife was sentenced to 24 months of probation and ordered to pay a \$25 special assessment fee. Our investigation determined the couple, who owned the plant, directed their employees to falsely label packages of ground beef with the Federal mark of inspection, although the packages contained meat that had been processed without USDA inspection. The mislabeled meat products were sold to a public school system. Uninspected meat products were also sold to a food cooperative. The owners were charged with violations of the Federal Meat Inspection Act. The man pled guilty in September 2013, to the sale of misbranded meat. His wife pled guilty in October 2013, to a misdemeanor count of sale of misbranded meat.

Food Safety and Defense: Theft. In September 2014, in U.S. District Court, Western District of Missouri, a man was sentenced to 24 months in prison, followed by 36 months of supervised release, and was ordered to pay

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\$386,932 in restitution as a result of his role in a large-scale conspiracy involving the theft of nearly \$1 million worth of trucks, trailers, and their cargos. Our investigation was conducted to identify individuals responsible for the theft of truckloads of frozen meat, apparel, beer, and appliances. A number of other individuals have previously been found guilty or pled guilty to charges including possession of stolen goods in interstate commerce, conspiracy in causing the receipt, possession, and sale of stolen meat products transported in interstate commerce, and aiding and abetting. Two men were sentenced in May 2014 to 48 months and 60 months of probation and ordered to pay \$7,566 in restitution and a \$6,000 fine, respectively. One pled guilty to possession of stolen property transported in interstate commerce and the other pled guilty to conspiracy in regard to stolen meat products. Three men who had central roles in the conspiracy were found guilty at a trial in February 2014. They were taken into custody after the guilty verdicts were returned and are awaiting sentencing. A number of other organizations were involved in this investigation, including the Federal Bureau of Investigation (FBI), the Kansas City (Missouri) Police Department, the Missouri State Highway Patrol, the National Insurance Crime Bureau, and the U.S. Department of Transportation.

Falsification of Certificates: Smuggling. A salesman representing numerous lumber companies engaged in fraudulent transactions totaling more than \$1,000,000 with U.S. companies as well as international customers in Poland, Vietnam, Egypt, and China. In a variety of transactions, the salesman transmitted fraudulent phytosanitary certificates with the forged signature of a USDA APHIS inspector for purposes of gaining the confidence of his potential foreign customers and inducing them to wire funds to him. In some instances, he sent uninspected wood products to foreign victims, or sent no products at all. In addition, our investigation revealed the salesman was a fugitive from justice being sought in five states on a total of eight open warrants, to include violation of probation in Michigan; escape from work release in Pennsylvania; larceny and vehicle theft in Colorado; fraud in Florida; and felony false pretense/bad checks in Mississippi. In October 2012, the salesman and his fiancée were arrested based on a criminal complaint. Two co-conspirators were subsequently arrested, including the salesman's estranged wife. All were subsequently charged by a Federal grand jury with wire fraud and conspiracy to commit wire fraud, and the salesman was charged with aggravated identity theft. The salesman pled guilty and was subsequently sentenced to 116 months imprisonment to be followed by three years' supervised release, and was ordered to pay \$999,988.53 restitution to his victims and a \$500 special assessment. The salesman's fiancée entered into a deferred prosecution agreement with the Government. The salesman's estranged wife pled guilty and is scheduled to be sentenced in December 2014. The remaining co-conspirator pled guilty and was sentenced to three years' probation to include eight months of home confinement and was ordered to pay \$42,055.09 in restitution to a victim company and a \$100 special assessment.

INTEGRITY OF BENEFITS – Reduce program vulnerabilities and strengthen program integrity in the delivery of program assistance.

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 receive substantial levels of funding, are also susceptible to misuse by organized groups and individuals.

In addition, USDA helps rural communities develop, grow, and improve their quality of life by providing 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 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:

Risk Management Agency (RMA) National Program Operations Reviews. This audit assesses whether RMA's

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National Program Operations Reviews reasonably determine if the approved insurance providers are substantially in compliance with applicable laws and regulations, the standard reinsurance agreement, and approved Federal Crop Insurance Corporation (FCIC) policies and procedures.

Wetland Conservation in the Prairie Pothole Region. OIG will determine whether the Natural Resources Conservation Services (NRCS) made wetland determinations in accordance with the 1985 Food and Security Act, as amended, and any regulations and policies established by NRCS to implement the Act. In addition, we will determine whether NRCS followed laws and regulations regarding appeals, mediation, and National Appeals Division determinations applicable to wetland conservation.

USDA Beginning Farmers and Ranchers Programs. OIG's objective is to evaluate the effectiveness of the Department's activities related to beginning farmers and ranchers benefits.

Review of Rural Rental Housing's Tenant and Owner Information Using Data Analytics. Our review of Rural Housing Service (RHS) will determine whether owners (or their management companies) and tenants are reporting reasonable and accurate information to RHS by analyzing the data provided, and evaluating the internal controls Rural Development (RD) has in place for this program.

Highlights of Current and Planned Investigations Work:

OIG continues to investigate the most significant criminal violations involving benefits/entitlement fraud in the wide array of programs administered by USDA. These include FNS programs that operate in every county of the Nation, including the largest cities; FSA and the Risk Management Agency (RMA) programs that support farmers; and many other programs administered by USDA. We will focus our investigative efforts on fraud involving the following programs:

Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program (SNAP) and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Participation in SNAP has reached record numbers in the last several years. OIG has seen an increase in its investigations of fraud in this program. OIG will continue to use all available investigative tools to 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. OIG will continue to work closely with FNS, as well as State and local law enforcement entities that have a joint interest, to investigate these violations.

OIG is working on a joint SNAP initiative with FNS as well as State and local partners. The initiative involves a multi-faceted approach to combating SNAP fraud by pursuing criminal and administrative action against both retailers and clients who engage in SNAP trafficking.

Farm Service Agency (FSA) Programs. OIG continues to see individuals providing false information to obtain FSA monies through several FSA programs. OIG will allocate resources as needed to investigate potential fraud in FSA programs.

Selected Examples of Recent Progress – Audit:

State Agencies' Food Costs for FNS' WIC. OIG found that FNS' current strategy for monitoring State agencies' food costs does not ensure Federal resources are being used efficiently in WIC. Although FNS reports through the Office of Management and Budget's A-133 Compliance Supplement that management evaluations are WIC's main oversight tool, we found that the management evaluations have several weaknesses. For example, we found that the evaluations did not always identify significant issues that may impact a State agency's food costs, and when FNS did identify deficiencies at State agencies, it did not always ensure that those agencies took appropriate and timely corrective actions. Finally, although FNS is aware of policies that various State agencies have implemented to reduce their food costs, it has not evaluated those policies for program-wide implementation. Not evaluating these policies and their cost-saving implications has led to missed cost-saving opportunities. By strengthening its strategy for monitoring food costs and considering program-wide implementation of proven cost-containment measures, FNS

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could provide benefits to more participants and help further the program's mission. FNS generally agreed with our recommendations to improve WIC oversight.

RMA's Rainfall and Vegetation Index Pilot Program – Pasture, Rangeland, Forage. RMA administers the Federal crop insurance program and helps insure producers against crop failures due to crop diseases, hurricanes, and other risks. Beginning in crop year 2007, RMA offered a rainfall and vegetative index plan of insurance for pasture, rangeland, and forage (PRF) as a pilot program that provides insurance protection for forage produced for grazing or harvested for hay. OIG found that, in Colorado and New Mexico, RMA insures non-irrigated hay producers at the same level as irrigated hay producers, even though irrigated land is capable of producing much more hay. When RMA and its contractor designed PRF, they used a State-wide average yield that combined non-irrigated and irrigated hay yields without considering the substantial differences between such lands. As a result, non-irrigated producers received indemnities substantially in excess of the value of their lost hay production. For example, our initial sample of seven producers received over \$8.2 million in indemnity payments for non-irrigated forage acres, based on average yields that they could not feasibly produce. In one case, a producer insured land that has the potential to produce about \$27.54 worth of hay per acre, but he was indemnified \$335.79 per acre. USDA will continue to pay indemnities at such excessive rates until RMA takes steps to correct this program. We issued an interim report so that RMA could correct this problem before the offering of PRF coverage for crop year 2015. Based on its response, RMA generally agreed with our finding; however, further action from the agency is needed before management decision can be reached for the two recommendations.

RD Single Family Housing Direct Loan Servicing and Payment Subsidy Recapture. OIG reviewed how the Rural Housing Service's Single Family Housing Program (SFH) administers direct loans to determine if the Centralized Servicing Center (CSC) performs yearly reviews of borrower income, if the borrower is eligible for payment subsidy, and if payment subsidy is accurately calculated and repaid. Although eligible SFH direct loan program borrowers can receive payment subsidies, regulations require repayment of a pro-rated portion or the entire payment subsidy, which is referred to as recapture. OIG determined that CSC performed reviews of borrower income and generally made accurate payment subsidy eligibility and recapture determinations. However, we identified issues with how CSC was servicing accounts, especially in relation to recapture of the payment subsidy. We found CSC inaccurately calculated the final recapture receivables for 13 of the 100 borrower accounts in our recapture sample. Based on statistical projections, we estimate that 8,103 borrower recapture receivable accounts may not have been accurately established, with a total value of \$33 million. Also, CSC lacked formal procedures to actively monitor borrower occupancy and did not always establish final payment subsidy recapture receivables in a timely manner. Additionally, our review of the payment subsidy renewal process found that, for 7 of the 100 borrower accounts, CSC inaccurately calculated the borrowers' payment subsidy. We estimate that the payment subsidy for 7,784 borrower accounts—with a projected total value of \$4.9 million over the term of the payment subsidy agreement—may also be inaccurately calculated. Lastly, we found evidence that unreported household members may have been residing in the Rural Development-financed properties. OIG recommended that CSC strengthen its oversight controls and correct its subsidy calculations, as well as recover overpayments to borrowers. The agency generally concurred with our recommendations.

NRCS Environmental Quality Incentives Program. For FYs 2009 through 2011, the Natural Resources Conservation Service's (NRCS) Environmental Quality Incentives Program (EQIP) was that agency's largest program, receiving nearly \$3.5 billion in appropriations. OIG found that NRCS' controls over the program need to be strengthened so that the program can assist participants in addressing environmental concerns. Specifically, we found that, while the agency's allocation method adequately considered environmental concerns at the national level, the State-level allocation processes did not. Of the six State offices we reviewed, three based their allocations on data such as number of acres, prior year obligations, or geographic location, but not environmental outcomes. Second, we found that State offices did not make onsite visits for 139 out of 424 practices to ensure they were completed by the participant, as required by contract. Instead, States allowed contractors and participants to self-certify. Third, we found that, of the 16 participants with projects that were significantly behind schedule, NRCS did not take action to identify 11 as noncompliant with their contracts. Finally, NRCS did not require follow-up visits to ensure practices were in working order for their intended lifespan, which resulted in several practices not being maintained. Without effective monitoring controls to address these issues, these conservation practices may not be resulting in the intended environmental benefits. OIG recommended that NRCS implement controls and perform an analysis to ensure State allocation formulas are tied to environmental concerns. Also, NRCS should implement

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controls to ensure participants who do not meet contractual timelines are identified as noncompliant. The agency generally agreed with our recommendations.

FSA Compliance Activities. With significant reductions in its salaries and expense budget—during the period of our review, from \$1.57 billion in FY 2010 to approximately \$1.4 billion in FY 2013—FSA has had to make choices regarding which activities it will perform and which it will curtail. FSA continues to perform a number of compliance reviews, such as National Compliance Reviews, Improper Payment Information Act Reviews, County Operations Reviews, Farm Loan Program Risk Assessments, Adjusted Gross Income compliance reviews, and end-of-year reviews. However, OIG maintains that FSA would benefit from developing an integrated compliance strategy to ensure that its limited resources are focused on areas posing the most significant risk of noncompliance. FSA officials have explained that they have not developed such a strategy because “significant amounts of time and money can be spent designing and implementing an integrated strategy.” We maintain that developing an integrated compliance strategy should help the agency efficiently focus its limited resources on areas of the highest risk and ensure that FSA programs operate as intended, with a minimum risk of fraud, waste, and abuse. We found that FSA’s various reviews could be better designed to serve their intended purposes and help identify trends of noncompliance, directing limited resources to known problem areas, and improving the integrity of FSA’s programs. As part of its compliance activities for the Farm Loan Program Risk Assessments, FSA performs inspections of chattel security and year-end analyses, but it could not ensure that all the required reviews were completed. While FSA believes that these reviews are a relatively smaller portion of FSA’s compliance activities, we believe that the completion of these reviews is essential to the success and integrity of FSA’s loan portfolio of \$8.3 billion. Based on FSA’s response to the report, we accepted management decision on six of the nine recommendations.

Selected Examples of Recent Investigations:

Foreign Agricultural Service (FAS) – False Claims. In July 2014, in U.S. District Court, Southern District of Texas, an \$80 million judgment was entered against an international bank for submitting false claims for payment guarantees issued by USDA under the FAS Supplier Credit Guarantee Program (SCGP). Our investigation determined that at least 12 business entities involved in exporting grain to Mexico used banks, including this bank, to conspire to defraud the SCGP. Beginning in April 2005, six export companies defaulted on a total of \$102 million in outstanding SCGP guaranteed loans. A civil False Claims Act complaint was filed against the bank in October 2011, in connection with its receipt of payment guarantees under the SCGP. Also, as a result of this investigation, six subjects were charged in March 2010 with crimes including mail fraud, wire fraud, and making false statements to a bank or financial institution. Five of these six individuals have pled guilty and are awaiting sentencing. The sixth individual is in Mexico, awaiting extradition. All six have been suspended from participating in Federal programs.

FSA – Fraud/False Statements. In December 2013, a Sangamon County, Illinois family collectively (with several of their corporations and limited partnerships) signed a settlement agreement with the U.S. Attorney’s Office, Central District of Illinois, and USDA’s Office of the General Counsel in which they agreed to pay \$5.4 million. The agreement resolved allegations that the family had set up numerous farming partnerships to conceal their true ownership interests and obtain more farm subsidy payments than they were eligible to receive. The family made the final payment on the \$5.4 million agreement in January 2014.

FSA – Fraud/False Claims. In January 2014, a South Dakota Federal judge ordered a couple to pay almost \$1.4 million in a civil judgment for submitting false claims for loan deficiency payments to FSA. The couple presented 132 separate requests for wool loan deficiency payments over a 6-year period when, in fact, they owned no sheep; as a result, they were paid nearly \$340,000 to which they were not entitled. As a result of our investigation, the couple pled guilty to the criminal charge of conspiracy to defraud FSA and, in 2012, they were sentenced to 60 months’ probation, fined \$60,000, and ordered to pay restitution of \$303,890 to the Commodity Credit Corporation (CCC).

RMA - Insurance Fraud. In January 2014, in U.S. District Court, Southern District of Iowa, a producer who filed a fictitious crop insurance claim was sentenced to time served, 36 months of supervised release, 6 months of home confinement with electronic monitoring, and ordered to pay a \$6,000 fine. No restitution was ordered because crop insurance indemnity payments were stopped pending investigative findings, so there was no loss to the Government.

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Our investigation determined that, beginning in October 2012, the producer illegally sold at least 39,000 bushels of corn to an ethanol refinery using a fictitious farm name. He concealed this corn from his financial lender and from his insurance crop loss adjuster, which resulted in a fraudulent crop insurance claim of approximately \$367,220. He pled guilty to one count of false statements in September 2013.

RHS – Mortgage Fraud. In August 2014, in U.S. District Court, Western District of North Carolina, a loan officer who participated in a mortgage fraud scheme involving RHS guaranteed housing loans was sentenced to 50 months in prison, followed by 12 months of supervised release, with restitution to be determined at a later date. Our investigation disclosed that the woman was one of a number of individuals associated with a North Carolina manufactured/modular home dealership who conspired to sell the manufactured homes knowing that information about the sales and the buyers' ability to repay the loans was false and that the value of the land and homes was inflated to secure loans. More than 1,100 manufactured homes were sold to buyers and financed with government-insured USDA and Housing and Urban Development (HUD) loans totaling more than \$158 million, with failed loans resulting in losses to the United States exceeding \$21 million. Seven individuals have been charged with various crimes including conspiracy to make false statements to USDA and HUD, wire fraud conspiracy, and aiding and abetting the destruction of documents with intent to impede a Federal investigation. The loan officer pled guilty in June 2012 to one count of conspiracy to make false statements to HUD and USDA. Six other individuals have also pled guilty and are awaiting sentencing. This investigation was conducted jointly between HUD OIG, the U.S. Postal Inspection Service, the North Carolina Department of Justice, and the North Carolina State Bureau of Investigation.

RD - Theft of Funds, Wire Fraud, and Income Tax Fraud. As a result of an OIG investigation, both the chief and the president of a Virginia volunteer fire/rescue department were sentenced for misusing a \$3.7 million RD loan intended to fund the renovation of the organization's fire station. The president pled guilty to theft from an organization receiving Federal funds, funds which he then used to pay his mortgage. He was sentenced in November 2013 to serve 24 months on probation and pay \$40,132 in restitution and a \$100 special assessment. The chief pled guilty to wire fraud and filing false individual income tax returns. In December 2013, the chief was sentenced to 24 months' incarceration, 24 months' supervised release, ordered to pay \$209,828 in restitution, and charged a \$200 special assessment. The investigation was worked jointly with the FBI and the Internal Revenue Service-Criminal Investigation (IRS-CI).

RD – Impersonation of Federal Employee. In March 2014, in U.S. District Court, Northern District of Mississippi, a Mississippi man was sentenced to 12 months of probation and ordered to pay \$1,000 in restitution. In March and April 2012, the man falsely identified himself as an RD employee to several Mississippi Delta residents who were seeking rental housing. The man required the residents pay him \$500 to process their applications. He also required the residents provide him with personal information, including social security numbers and birth certificates of their children. The man accepted a total of \$1,500 in cash from these individuals and falsely led them to believe the money was being used as a deposit towards the rental of an RD home.

FNS – False Claims. From January 2007 through June 2010, an Indiana daycare owner and her husband submitted false claims for reimbursement under the Child and Adult Care Food Program for meals and snacks provided to children who were certified as being in attendance, but who were, in fact, absent. They also submitted false claims to the State of Indiana for reimbursements under the Child Care Development Fund, funded by the U.S. Department of Health and Human Services and the State of Indiana. At least 50 percent of the claims submitted for both programs were false. The daycare owner and her co-conspirator were convicted of providing false claims. In April 2014, the owner and her husband were sentenced to 42 and 32 months in prison, respectively, followed by 36 months of supervised release, and were jointly ordered to pay \$3.3 million in restitution. This investigation was conducted jointly with IRS-CI, and the Indiana Family and Social Service Administration.

SNAP EBT – Trafficking Fraud:

New Jersey Store Owner Convicted of SNAP Trafficking. This investigation was initiated based upon information received from the New Jersey State Police and the New York City Police Department regarding SNAP trafficking at a Newark store. During the course of the investigation, the owner of the store exchanged SNAP benefits for the purchase of ineligible items, including electronics and a variety of household items, at his store and three additional

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related stores. In May 2013, the owner was arrested and charged in a New Jersey court with financial facilitation of criminal activity, theft by deception, and unauthorized use of a SNAP benefits card in violation of New Jersey statutes. In September 2013, the owner pled guilty to theft by deception and in January 2014 was sentenced to 84 months' imprisonment and ordered to pay \$831,830 in restitution.

New Jersey Store Employee Pleads Guilty to SNAP Trafficking. In July 2008, information was received that a grocery store in Camden, New Jersey, was trafficking in SNAP benefits. During the course of the investigation, an employee of the store exchanged SNAP benefits for cash. In May 2013, the employee was arrested as a result of a criminal complaint filed in U.S. District Court, District of New Jersey, and charged with theft of public money. The employee pled guilty in October 2013. In June 2014, he was sentenced to 37 months' imprisonment, followed by 36 months of supervised release, and ordered to pay \$2.8 million in restitution.

South Florida Individuals, Corporation Sentenced for SNAP Fraud. A SNAP investigation in the Southern District of Florida determined the owners of a small convenience store in the Palm Beach area trafficked in SNAP benefits. Following a search warrant, the two store owners were arrested and subsequently indicted. After previously pleading guilty to charges including conspiracy, bankruptcy fraud, and engaging in a monetary transaction in criminally derived property, both subjects were sentenced in July 2014 to serve 70 months in prison and ordered to pay \$4 million in restitution, jointly and severally. Their corporation was also sentenced at that time to 60 months of organizational probation and \$4 million in restitution.

Former Detroit Store Owner and Ten Year Fugitive Sentenced to 6 Years in Prison. In June 2014, the former owner of a Detroit convenience store was sentenced in U.S. District Court, Eastern District of Michigan, to 72 months' incarceration for his role in a food stamp and narcotics trafficking ring in the 1990s. This joint investigation, conducted with the Drug Enforcement Administration, resulted in the dismantling of a long-standing drug trafficking organization and the Federal conviction of 15 individuals. The investigation determined that the store owner laundered drug proceeds through the business bank account, while also purchasing food stamp benefits for cash. He was indicted on food stamp fraud and drug distribution charges in April 1997, and pled guilty in January 1999. However, prior to sentencing in April 1999, the former store owner fled to Mexico, where he resided as a fugitive until being apprehended in October 2012.

New Hampshire Welfare Fraudster Sentenced to Home Confinement, Restitution. In September 2013, in what is considered to be the largest welfare fraud case in New Hampshire, a criminal information was filed in U.S. District Court, District of New Hampshire, charging a woman with making false statements to obtain more than \$250,000 in benefits from SNAP, the U.S. Department of Housing and Urban Development's Section 8 Housing Assistance, Temporary Assistance for Needy Families (TANF), and Medicaid. In so doing, she falsely claimed her husband was not a resident of her home and did not contribute income to her household. In May 2014, the woman was sentenced to 60 months' probation, 6 months' home confinement with electronic monitoring, and was ordered to pay restitution totaling \$251,957. This investigation was conducted jointly with HUD-OIG, the Social Security Administration OIG, and the New Hampshire Department of Health and Human Services Special Investigations Unit.

MANAGEMENT IMPROVEMENT INITIATIVES – Provide USDA with oversight to help it achieve its results-oriented performance.

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 they pertain 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:

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Highlights of Current Audit Work:

USDA's Consolidated and Agencies' Financial Statements. OIG is completing the 2014/2013 audits of 5 agencies' statements and USDA's consolidated financial statements. We will also conduct our 2015/2014 annual audit of the USDA consolidated financial statements and the financial statements of the five stand-alone agencies and entities—FNS, NRCS, RD, FCIC, and the CCC.

Conservation Stewardship Program. We will determine whether NRCS has adequate controls over the program. Specifically, we will evaluate the accuracy of eligibility determinations and payments, plus producer compliance with CSP requirements. In addition, we plan to follow up on recommendations made in a prior report on the Conservation Security Program, as applicable to the CSP.

Department's Controls Over Prioritizing and Funding Agricultural Research. We will assess whether the Department's internal controls are adequate to ensure agricultural research is prioritized and funded in line with Congressional mandates and the Department's strategic goals and objectives.

Forest Service (FS) Wildland Fire Activities - Hazardous Fuels Reduction. OIG's audit is assessing FS' controls over identifying, prioritizing, implementing, monitoring, and reporting hazardous fuels reduction projects on National Forest System lands, particularly those in the Wildland Urban Interface areas where human development intermingles with undeveloped wildland.

Evaluation of USDA's Process Verified Program. Evaluate USDA's controls over the Process Verified Program (PVP) to ensure that certifications are based on substantive Federal standards, are adequately supported, ensure the proper use of the PVP shield, and that the claims approved by FSIS and AMS represent truth in labeling.

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 Information Technology (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. The project of updating our internal management information system remains ongoing. In addition, OIG will continue to investigate allegations of public corruption, with our investigations leading to the potential prosecution and removal of USDA, State, and contractor employees who have defrauded USDA programs to obtain personal benefit.

Technical Crimes Division (TCD). Investigations, through TCD, will continue to support and enhance the ability to provide investigative technology assistance to ongoing investigations by securing and applying advanced forensic tools to obtain and document evidence of an alleged crime.

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

Selected Examples of Recent Progress – Audit:

FY 2014 Federal Information Security Management Act Review. OIG found that, although USDA continues to improve the security posture of its information technology (IT) infrastructure and associated data, many longstanding weaknesses remain. In 2009 through 2013, OIG made 55 recommendations for improving the overall security of USDA's systems, but agreed upon corrective actions have been implemented for only 21. We noted that the Office of the Chief Information Officer (OCIO) is taking positive steps to improve its security posture. For example, OCIO released 5 key Department-wide policies in the latter part of FY 2013 and FY 2014. However, the next and most critical steps involve actions by each of USDA's agencies and staff offices. First, agency-specific procedures must be created based on each Departmental policy. Second, and most critical to improving USDA's security posture, each agency must incorporate the procedures it develops into its normal, ongoing business processes. Again this year, we continue to report a material weakness in USDA's IT security. The Department has

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not: (1) developed policies, procedures, or strategies for risk management in accordance with Federal guidance; (2) monitored agencies for compliance with baseline configurations and ensured known vulnerabilities were fixed; (3) deleted separated employees' access to computer systems; and (4) developed and implemented a policy to detect and remove unauthorized network connections. The Department should continue its progress by issuing critical policy and completing actions on the 34 outstanding recommendations from the FYs 2009 through 2013 FISMA audit reports and the 2 new recommendations included in the report.

USDA's Capacity-Building Activities in Afghanistan. In June 2010, the U.S. Agency for International Development (USAID) transferred \$86.3 million to USDA for capacity-building activities in Afghanistan. OIG found that senior managers at FAS were aware of general control weaknesses before receiving the funding and hired a consulting firm to review FAS processes for managing Section 632(a) funds from USAID. Although the firm identified several deficiencies, FAS did not adequately implement corrective actions to strengthen its control environment before accepting the funds. Specifically, we found that FAS had not implemented performance monitoring plans for all projects until over 2 years after the first project began, which meant that FAS did not have adequate methods to monitor recipients' accomplishment of program goals and objectives. Also, FAS did not finalize or implement a grant management structure that would facilitate effective monitoring of recipients' fund use. FAS managers and senior officials did not clearly understand who was responsible for correcting control deficiencies and implementing recommendations. Additionally, FAS did not identify or adopt procedures from its other program areas to assist in monitoring and oversight. Without adequate management controls in place, FAS cannot effectively monitor Section 632(a)-funded projects in Afghanistan and faces difficulty in providing adequate assurance that the funds are effectively accomplishing program goals. We did not, however, identify any specific instances where transferred funds were not used in accordance with the memorandum of agreement or the cooperative agreement. While FAS agreed with all recommendations, we accepted management decision on one of the two recommendations.

Security Review of National Agricultural Statistics Service (NASS) Lockup Procedures. NASS did not adequately enforce critical procedures and physical security measures meant to protect the security of NASS information. Notably, although smartphones and other electronic devices are banned, OIG staff was able to bring a cell phone into lockup and witnessed a reporter using an iPad during lockup. NASS had also not taken mitigating actions to address outstanding IT vulnerabilities, thereby placing NASS' systems at risk. As a result, sensitive information could be compromised or leaked before its official release, which could adversely affect equitable trading in commodity markets. Faced with three early releases, NASS requested the Office of the Chief Information Officer/Agriculture Security Operations Center to perform a technology-related review of the press release process. We noted that NASS has not established a formal process for effectively monitoring lockup, nor a systematic process for documenting and following up on recommendations. Managers also did not review lockup procedures for gaps, did not adequately oversee contracted guards and equipment inventories, and were unaware of or did not have resources to meet Federal security requirements. NASS stated that it has taken action to address the majority of the issues found.

USDA Implementation of Cloud Computing Services. USDA has incorporated cloud computing into its overall IT environment, but OIG found that the Department does not have a complete inventory of its cloud systems. Even though USDA has an official system of record for its inventory of IT systems, 17 of the 31 cloud systems were not included in the inventory, and 8 additional systems were in the inventory, but not marked as cloud systems. Additionally, the level of detail included within the contracts for procuring the systems varied across our sample, with all six reviewed contracts lacking details required by Federal guidelines. Finally, only two of the six cloud service providers tested met the requirements to become Federal Risk and Authorization Management Program compliant by the required deadline of June 5, 2014. These issues occurred because the offices and agencies have adopted cloud computing technologies without clear guidance, including a USDA-wide definition of what constitutes a cloud computing system. As a result, USDA's data are exposed to risk of loss or disclosure to unauthorized parties, which could compromise the Department's programs and producer data. Furthermore, because 5 of 6 contracts (totaling approximately \$66.9 million) did not specify how a provider's performance was to be measured, reported, or enforced, the agencies are not able to ensure adequate service levels are met, increasing the risk that USDA funds could be misspent or ineffectively used. This audit was part of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) initiative to perform a Government-wide review of Federal agencies' cloud computing efforts. USDA-OIG compiled the findings of 19 OIGs into a consolidated report, which CIGIE

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issued on September 30, 2014, with recommendations addressed to OMB.

USDA Office of Advocacy and Outreach (OAO) StrikeForce Initiative Pilot Program. OIG found that OAO did not ensure that the pilot program's primary goals were met, including assisting agricultural producers and communities in poverty-stricken and predominantly minority areas to gain access to USDA programs. Instead, OAO bypassed Federal regulations and hand-picked four community-based organizations. These organizations generally had questionable qualifications to achieve the goals of the initiative. OIG also found problems with how the Office of Small and Disadvantaged Business Utilization and other USDA agencies transferred almost \$2.7 million for FYs 2010 and 2011 to OAO to fund the StrikeForce Initiative pilot program—\$300,000 of these funds were not properly approved for the program. Ultimately, OAO did not fully ensure that the transferred funds met the specific purpose for which they were originally appropriated, or that they were used in the best interest of the Federal Government. OAO generally agreed with our recommendations.

USDA's Controls Over Economy Act Transfers and Greenbook Program Charges. OIG's audit of USDA's use of fund transfers under the Economy Act and 7 U.S.C. § 2263, referred to as "Greenbook authority," found that, although Congress reduced funding for USDA's Departmental Administration and Office of Tribal Relations for FYs 2011 and 2012, USDA used these authorities, as well as its Working Capital Fund, to fund staff that likely would have been affected by the reductions. As a result, USDA spent at least \$3.7 million for salaries and benefits to fund staff that was not directly appropriated to those accounts. We also found that USDA exceeded its Greenbook authority to pay for the Intertribal Technical Assistance Network, since it improperly transferred \$2.1 million from agencies that did not have the authority to fund the network's activities. Finally, for controls over Economy Act transfers, we found that USDA had not provided sufficient direction and oversight to agencies to ensure they properly supported the approximately \$100 million in transfers made during FYs 2011-2012. Due to lack of support, we questioned \$43 million in transfers, since we were unable to conclude whether the transfers were in the best interest of the Government and how those funds were used. USDA's Office of the Chief Financial Officer (OFCO) agreed with our findings.

Selected Examples of Recent Investigations:

NRCS – Embezzlement. In December 2013, in U.S. District Court, Western District of Louisiana, a former NRCS employee was sentenced to 40 months' incarceration and 60 months of supervised release, and ordered to pay \$450,000 in restitution. Between December 2005 and September 2010, while employed with NRCS, the former employee made seven false applications to a bank on behalf of a resource conservation and development council requesting new loans or loan extensions totaling \$175,555. From 2007 thru 2009, she obtained over \$100,000 in assets and income embezzled from the resource conservation and development council. This investigation was conducted jointly with FBI.

ARS - False Statements. In July 2014, an ARS employee was sentenced in U.S. District Court, Northern District of Mississippi, to 12 months of probation and ordered to pay \$21,181 in restitution. From 2008 through 2010, the woman made false statements to the financial aid office of a Mississippi community college that enabled her son to fraudulently receive Pell Grants from the U.S. Department of Education while enrolled at the community college. This investigation was conducted jointly with the U.S. Department of Education-OIG.

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Summary of Budget and Performance
Statement of Department 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 help ensure economy, efficiency, and integrity in U.S. Department of Agriculture (USDA) programs and operations through the successful execution of audits, investigations, and reviews.

USDA Strategic Goal: Create a USDA for the 21st Century that is High-performing, Efficient, and Adaptable.

USDA Strategic Objective 5:3: Maximize the return on taxpayer investment in USDA through enhanced stewardship activities and focused program evaluations.

Agency Strategic Goal	<u>Agency Objectives</u>	<u>Programs that Contribute</u>	<u>Key Outcomes</u>
Strengthen USDA’s ability to implement and improve safety and security measures to protect the public health as well as agricultural and Departmental resources.	Continuously monitor and assess risks in USDA operations and programs to identify those risks critical to the achievement of our goals. 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 program assistance.	Continuously monitor and assess risks in USDA operations and programs to identify those risks critical to the achievement of our goals. 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.
Provide USDA with oversight to help it achieve its results-oriented performance.	Continuously monitor and assess risks in USDA operations and programs to identify those risks critical to the achievement of our goals. Target resources to address those critical risks.	Audit/ Investigations	3. Establishment of prevention and detection methods to reduce program losses. 4. Continuous evaluation of our technological and physical resources to aid USDA in facing new technology-based and information security challenges to reduce fraud, waste and abuse in Federal programs.

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Agency Strategic Goal	<u>Agency Objectives</u>	<u>Programs that Contribute</u>	<u>Key Outcomes</u>
<p>Maintain a highly qualified and diverse workforce with the tools and training necessary to continuously enhance OIG's ability to fulfill its mission.</p>	<p>Recruit, retain, develop, and effectively lead a diverse workforce with the skills necessary to meet OIG's strategic goals and annual plans.</p> <p>Ensure OIG provides employees with the state-of-the-art technology, equipment, and other physical resources necessary.</p>	<p>OIG supports all USDA Strategic Goals</p>	<p>5. Utilization of self-assessment tools, such as surveys, to continually measure the impact of our human capital efforts and organizational progress.</p>
	<p>Enhance internal OIG communication so that all staff members understand 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 our work to Congress, agency management officials, media entities, and members of the public.</p>		<p>6. Achievement of human capital development goals by improving our recruitment, hiring and training of a diversified skilled workforce.</p>

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Key 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. Our work follows several stages of decision-making and implementation in order to ultimately influence change. 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.

Performance Measures:

Performance Measure	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
a. Number of Audits	53	45	76	54	36	36	40
b. Dollars (in thousands)	\$43,267	\$43,337	\$41,931	\$40,162	\$44,052	\$46,563	\$48,462

Performance Measure	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
a. Number of Investigations	275	275	331	335	334	298	310
b. Dollars (in thousands)	\$45,033	\$45,106	\$43,642	\$41,801	\$45,850	\$48,463	\$50,440

Past Accomplishments Toward Achievement of Key Outcomes: During 2014, OIG has continued to demonstrate considerable law enforcement actions, recommend significant programmatic improvements, and demonstrate considerable dollar returns for the funding provided for the office.

- OIG activity has led to total monetary results and financial recommendations of \$3.4 billion for FYs 2012, 2013, and 2014, while our appropriations have been \$257 million for this 3 year period. For every dollar invested, we have realized potential cost saving and recoveries of about \$13.30.
- 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.

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

Selected Accomplishments Expected at the 2016 Proposed Resources Level: Annually, OIG identifies the areas of highest risk in significant USDA programs for audit and investigations and allocates resources to these areas. During 2016, OIG plans to use its audit resources to evaluate the Department’s progress in accomplishing its strategic goals and objectives. The following are items of high priority.

- Audits ensuring that USDA food safety and inspection programs effectively meet program objectives.
- Audits of nutrition, farm, and rural community programs to determine if entitlements and benefits are effectively directed based on eligibility.
- Mandated fiscal year (FY) 2014/2015 financial statement audits of five USDA agencies and the Department as a whole.

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- Investigations focusing on matters that pose immediate threats to the well-being of the American consumer, livestock, and agriculture.
- Significant investigations based on attempts to defraud USDA programs, including the Supplemental Nutrition Assistance Program.
- Support for the Council of the Inspectors General on Integrity and Efficiency.
- Meeting mandatory training requirements for OIG auditors and investigators.

Strategic Goal Funding Matrix
(Dollars in thousands)

<u>Program/Program Item</u>	<u>2013</u> <u>Actual</u>	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Enacted</u>	<u>Increase or</u> <u>Decrease</u>	<u>2016</u> <u>Estimate</u>
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Department Strategic Goal 5: Create a USDA for the 21st Century that is high-performing, efficient, and adaptable.

Department Objective 5:3: Maximize the return on taxpayer investment in USDA through enhanced stewardship activities and focused program evaluations.

Audit.....	\$40,326	\$44,052	\$46,563	+\$1,899	\$48,462
Staff Years.....	265	252	268	+3	271
Investigations.....	41,972	45,850	48,463	+1,977	50,440
Staff Years.....	255	242	257	+3	260
Total Costs, All Strategic Goals.....	82,298	89,902	95,026	3,876	98,902
Staff Years, All Strategic Goals.....	520	494	525	+6	531

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Annual Plan and Performance Report

USDA Strategic Goal 5: Create a USDA for the 21st Century that is High-performing, Efficient, and Adaptable.

USDA Strategic Objective 5:3: Maximize the return on taxpayer investment in USDA through enhanced stewardship activities and focused program evaluations.

Analysis of Results / Progress for 2014 (Objective)

For 2014, our audit and investigative work has led to significant accomplishments, including 1,234 arrests, 609 convictions, \$374.6 million in investigative monetary results, 224 program improvement recommendations, and \$325.4 million in audit financial recommendations.

Challenges for the Future (objective)

OIG challenges include assisting USDA in improving interagency communication, coordination, and program integration; creating strong intergraded internal control systems across programs; and addressing Information Technology (IT) security needs. OIG’s additional challenge is helping USDA prevent and deter future instances of illegal or fraudulent acts or misconduct.

Key Performance Measures:

Percentage of OIG direct resources dedicated to critical-risk or high impact activities.							
Measure	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Percent	92.6	97.2	97.7	96.6	95.3	94.0	94.0
Cost *	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost Per Test	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allowable Data Range for Met: A range is not acceptable, as data is measured to the tenth percent and a target must be fully met.							
Completeness of Data - The IG Act mandates that this information is reported to Congress semiannually.							
Reliability of Data - Data is carefully tracked by subject matter experts and stored electronically for retrieval.							
Quality of Data - Data is carefully tracked by subject matter experts and stored electronically for retrieval.							

*Data Not Available

Analysis of Results / Progress for 2014 (Performance Measure 1)

For 2014, OIG devoted 95.3 percent of our direct resources to critical/high impact audits, inspections, and investigations exceeding our target of 94 percent. We gauge our impact by measuring the extent to which our work focuses on the key issues under our strategic goals, and by tracking the outcomes of our audits and investigations.

Challenges for the Future (Performance Measure 1)

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

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Key Performance Measures:

Percentage of audit recommendations where management decisions are achieved within 1 year.							
Measure	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Percent	93.6	90.1	96.8	94.4	94.2	92	92
Cost *	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost Per Test	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allowable Data Range for Met: A range is not acceptable, as data is measured to the tenth percent and a target must be fully met.							
Completeness of Data - The IG Act mandates that this information is reported to Congress semiannually.							
Reliability of Data - Data is carefully tracked by subject matter experts and stored electronically for retrieval.							
Quality of Data - Data is carefully tracked by subject matter experts and stored electronically for retrieval.							

*Data Not Available

Analysis of Results / Progress for 2014 (Performance Measure 2)

For 2014, 94.2 percent of OIG audit recommendations resulted in management decisions within 1 year, compared to OIG’s target of 92 percent. Impact is measured by tracking audit outcomes, reports issued, total dollar impact of reports issued (questioned costs and funds to be put to better use), contract audit reports with significant findings, management decisions (of reports and recommendations), total dollar impact, program improvement recommendations, audits without management decisions, significant management decisions with which the IG is in disagreement, and audits with recommendations pending correction.

Challenges for the Future (Performance Measure 2)

OIG conducts audits that focus on improved financial management and accountability, IT security and management, research, real property management, employee integrity, and Government Performance Results Act (GPRA) requirements. USDA depends on IT to deliver its programs and provide meaningful and reliable financial reporting. Our challenges are improving internal controls, IT's ever changing and growing threats, and supporting Departmental efforts to be transparent.

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Key Performance Measures:

Mandatory, Congressional, Secretarial, and Agency requested audits initiated where the findings and recommendations are presented to the auditee within established or agreed-to timeframes (including verbal commitments).							
Measure	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Percent	N/A	N/A	91.9	100	100	90	90
Cost *	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost Per Test	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allowable Data Range for Met: A range is not acceptable, as data is measured to the tenth percent and a target must be fully met.							
Completeness of Data - The IG Act mandates that this information is reported to Congress semiannually.							
Reliability of Data - Data is carefully tracked by subject matter experts and stored electronically for retrieval.							
Quality of Data - Data is carefully tracked by subject matter experts and stored electronically for retrieval.							

*Data Not Available

Analysis of Results / Progress for 2014 (Performance Measure 3)

For 2014, Mandatory, Congressional, Secretarial, and agency requested audits where findings and recommendations were presented to the auditee within established or agreed-to timeframes occurred 100 percent of the time, and OIG's target was 90 percent. OIG used an interim report to alert management to immediate issues during the course of an ongoing audit assignment.

Challenges for the Future (Performance Measure 3)

OIG's challenges include assisting USDA in improving interagency communication, coordination, and program integration; creating strong integrated internal control systems across programs; and IT security needs.

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Key Performance Measures:

Percentage of closed investigations that result in a referral for action to the Department of Justice, State or local law enforcement official, or a relevant administrative authority.							
Measure	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Percent	84.7	82.5	88.8	86	87.9	75	75
Cost *	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost Per Test	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allowable Data Range for Met: A range is not acceptable, as data is measured to the tenth percent and a target must be fully met.							
Completeness of Data - The IG Act mandates that this information is reported to Congress semiannually.							
Reliability of Data - Data is carefully tracked by subject matter experts and stored electronically for retrieval.							
Quality of Data - Data is carefully tracked by subject matter experts and stored electronically for retrieval.							

*Data Not Available

Analysis of Results / Progress for 2014 (Performance Measure 4)

A total of 87.9 percent of OIG’s closed investigation cases resulted in a referral for action to the Department of Justice, State or local law enforcement agency, or a relevant administrative authority, and OIG’s target was 75 percent. In tracking the outcomes of OIG investigations, agents’ accomplishments lead to indictments, convictions, arrests, total dollar impact (recoveries, restitutions, fines, asset forfeiture), administrative sanctions, and OIG hotline complaints.

Challenges for the Future (Performance Measure 4)

OIG’s challenges are the shifting priorities of the work OIG completes in support of USDA programs, in detecting fraud, waste, and abuse to accurately measure results.

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Key Performance Measures:

Percentage of closed investigations that result in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.							
	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Percent	72.6	70.4	71.2	88.6	81.5	70	70
Cost *	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost Per Test	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allowable Data Range for Met: A range is not acceptable, as data is measured to the tenth percent and a target must be fully met.							
Completeness of Data - The IG Act mandates that this information is reported to Congress semiannually.							
Reliability of Data - Data is carefully tracked by subject matter experts and stored electronically for retrieval.							
Quality of Data - Data is carefully tracked by subject matter experts and stored electronically for retrieval.							

*Data Not Available

Analysis of Results / Progress for 2014 (Performance Measure 5)

A total of 81.5 percent of OIG's closed investigations cases resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result, and OIG's target is 70 percent. In tracking the outcomes of OIG investigations, agents' accomplishments lead to indictments, convictions, arrests, total dollar impact (recoveries, restitutions, fines, asset forfeiture), administrative sanctions, and OIG hotline complaints.

Challenges for the Future (Performance Measure 5)

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Full Cost by Agency Strategic Goal
(Dollars in thousands)

Department Strategic Goal 5: Create a USDA for the 21st Century that is high-performing, efficient, and adaptable.

Program / Program Items	2013	2014	2015	2016
	Actual	Actual	Enacted	Estimate
Audit.....	\$40,637	\$41,428	\$46,957	\$48,856
Total Costs.....	40,637	41,428	46,957	48,856
FTEs.....	265	252	268	271
Performance Measure:				
Number of Audits.....	54	36	36	40
Cost per measure (unit cost).....	914	890	938	938
Investigation.....	42,295	43,118	48,873	50,850
Total Costs.....	42,295	43,118	48,873	50,850
FTEs.....	255	242	257	260
Performance Measure:				
Number of Investigations.....	335	334	298	310
Cost per measure (unit cost).....	2,103	2,160	2,103	2,110
Total Costs, All Strategic Goals.....	82,932	84,546	95,830	99,706
Total FTEs, All Strategic Goals.....	520	494	525	531