

## 2020 USDA EXPLANATORY NOTES – OFFICE OF INSPECTOR GENERAL

<i>AGENCY-WIDE</i> .....	2
<b>PURPOSE STATEMENT</b> .....	2
Available Funds and Staff Years .....	3
Permanent Positions by Grade and Staff Years .....	3
Vehicle Fleet .....	4
Shared Funding .....	4
Account 1: Salaries and Expenses .....	5
Appropriations Language .....	5
Lead-Off Tabular Statement .....	6
Project Statement .....	6
Geographic Breakdown of Obligations and Staff Years .....	7
Classification by Objects .....	7
Status of Programs .....	8

***AGENCY-WIDE*****PURPOSE STATEMENT**

The Office of Inspector General (OIG) was established pursuant to the Inspector General Act of 1978 (5 U.S.C. app. 3). OIG's mission is to promote economy, efficiency, and integrity in U.S. Department of Agriculture programs and operations through the successful execution of audits, investigations, and reviews.

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 OIG, which had previously been carried out under the general authorities of the Secretary of Agriculture. The OIG operates independently from the other agencies within the Department. The OIG:

- a. Provides policy direction and conducts, supervises, and coordinates all audits and investigations relating to programs and operations of the Department of Agriculture.
- 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 the economy and efficiency, or to 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 and efficiency; (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, 2018, OIG had 432 permanent full-time employees, including 110 employees located in the Washington, D.C. metropolitan area and 322 located in the field.

The Office of Inspector General did not have any Government Accountability Office evaluation reports during the past year.

**AVAILABLE FUNDS AND STAFF YEARS****Table OIG-1. Available Funds and Staff Years (thousands of dollars, staff years (SY))**

Item	2017		2018		2019		2020	
	Actual	SY	Actual	SY	Annualized CR	SY	Budget	SY
Salaries and Expenses:								
Discretionary Appropriations .....	\$98,208	475	\$98,208	442	\$98,208	482	\$98,208	482
Supplemental Appropriations .....	-	-	2,500	-	-	-	-	-
Lapsing Balances .....	-2,426	-	-1,313	-	-	-	-	-
Balance Available, EOY .....	-	-	-	-	-	-	-	-
Subtotal Obligations, OIG .....	95,782	475	99,395	442	98,208	482	98,208	482
Ob. Under Other USDA Appr.:								
Risk Management Agency								
Audit of Financial Statements.....	492	-	503	-	503	-	503	-
Food and Nutrition Services								
Audit of Financial Statements.....	558	-	672	-	672	-	672	-
Forest Service								
Audit of Financial Statements.....	239	-	398	-	398	-	398	-
Rural Development								
Audit of Financial Statements.....	723	-	791	-	791	-	791	-
OCFO/WCF Audits.....	567	-	557	-	557	-	557	-
Total, Other USDA.....	2,579	-	2,921	-	2,921	-	2,921	-
Total, OIG.....	98,361	475	102,316	442	101,129	482	101,129	482

**PERMANENT POSITIONS BY GRADE AND STAFF YEARS****Table OIG-2. Permanent Positions by Grade and Staff Years**

Item	2017			2018			2019			2020		
	D.C.	Field	Actual Total	D.C.	Field	Actual Total	D.C.	Field	Estimate Total	D.C.	Field	Budget Total
ES.....	1	-	1	1	-	1	1	-	1	1	-	1
SES.....	9	-	9	9	-	9	9	-	9	9	-	9
GS-15.....	11	12	23	11	12	23	11	12	23	11	12	23
GS-14.....	29	51	80	30	49	79	28	51	79	28	51	79
GS-13.....	20	120	140	20	120	140	20	123	143	20	123	143
GS-12.....	8	91	99	10	90	100	8	92	100	8	92	100
GS-11.....	5	42	47	8	40	48	5	43	48	5	43	48
GS-9.....	11	18	29	11	18	29	11	18	29	11	18	29
GS-8.....	2	9	11	3	9	12	2	9	11	2	9	11
GS-7.....	4	23	27	4	23	27	3	23	26	3	23	26
GS-6.....	3	1	4	4	1	5	3	1	4	3	1	4
GS-5.....	5	4	9	5	3	8	5	3	8	5	3	8
GS-4.....	-	1	1	-	1	1	-	1	1	-	1	1
Total Permanent....	108	372	480	116	366	482	106	376	482	106	376	482
Unfilled, EOY.....	6	20	26	6	44	50	-	-	-	-	-	-
Total Perm. FT												
EOY .....	102	352	454	110	322	432	106	376	482	106	376	482
Staff Year Est.....	106	369	475	87	355	442	106	376	482	106	376	482

**VEHICLE FLEET****Motor Vehicle Fleet**

The 2020 President’s Budget proposes replacing 18 passenger motor vehicles.

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

**Replacement Criteria**

Twelve 4x4 vehicles will be replaced by twelve 4x4 vehicles, one 4x2 vehicle will be replaced with one 4x2 vehicle, four sedan/station wagons will be replaced by four sedan/station wagons, and one minivan will be replaced with one minivan.

**Reduction to Fleet**

There will be no reductions to the vehicle fleet in FY 2020.

**Table OIG-3. Size, Composition, and Annual Costs of Motor Vehicle Fleet<sup>a</sup>**

Fiscal Year	Sedans and Station Wagons	Lt. Trucks, SUVs, and Vans (4x2)	Lt. Trucks, SUVs, and Vans (4x4)	Medium Duty Vehicles	Heavy Duty Vehicles	Total Vehicles	Annual Operating Costs <sup>b</sup>
2017	66	17	64	-	-	147	\$754
Change	-	-	-	-	-	-	-
2018	66	17	64	-	-	147	754
Change	+8	-	-	-	-	+8	+25
2019	74	17	64	-	-	155	779
Change	-	-	-	-	-	-	-
2020	74	17	64	-	-	155	779

<sup>a</sup> Number includes vehicles owned by the agency and leased from commercial sources or GSA.

<sup>b</sup> Excludes acquisition costs and gains from sale of vehicles as shown in FAST.

**SHARED FUNDING****Table OIG-4. Shared Funding Projects (dollars in thousands)**

Item	2017 Actual	2018 Actual	2019 Annualized CR	2020 Budget
<b>Working Capital Fund:</b>				
Administration:				
Material Management Service.....	\$35	\$27	\$31	\$36
Mail and Reproduction Services.....	97	96	120	121
Integrated Procurement Systems.....	114	78	67	71
Procurement Operations Services.....	2	2	3	3
Human Resources Enterprise Management Systems.....	3	4	4	5
Subtotal.....	250	207	225	236
Communications:				
Creative Media & Broadcast Center.....	5	2	3	5
Finance and Management:				
National Finance Center.....	139	147	130	136
Financial Management Support Services.....	340	352	356	356
Subtotal.....	479	500	486	492
Information Technology:				
Client Experience Center.....	120	117	134	127

Digital Infrastructure Services Center.....	284	306	300	300
Enterprise Network Services.....	607	322	751	722
Subtotal.....	1,011	745	1,185	1,150
Correspondence Management.....	15	13	5	5
Total, Working Capital Fund.....	1,760	1,467	1,904	1,889

**Department-Wide Shared Cost Programs:**

1890's USDA Initiatives.....	19	0	0	0
Agency Partnership Outreach.....	0	35	36	36
Classified National Security Information.....	30	0	0	0
Continuity of Operations Planning.....	10	0	0	0
Emergency Operations Center.....	12	0	0	0
Facility and Infrastructure Review and Assessment.....	2	0	0	0
Faith-Based Initiatives and Neighborhood Partnerships.....	2	0	0	0
Hispanic-Serving Institutions National Program.....	10	0	0	0
Human Resources Self-Service Dashboard.....	3	3	3	3
Human Resources Transformation.....	8	4	0	0
Identity Access Management.....	34	0	0	0
Medical Services.....	8	8	10	10
Office of Customer Experience.....	0	9	15	18
People's Garden.....	3	2	0	0
Personnel and Document Security.....	0	59	62	62
Personnel Security Branch.....	45	0	0	0
Security Detail.....	17	21	22	22
Security Operations.....	0	49	49	49
TARGET Center.....	7	6	5	5
USDA 1994 Program.....	4	0	0	0
USDA Enterprise Data Analytics Services.....	0	0	0	25
Virtual University.....	10	5	0	0
Total, Department-Wide Reimbursable Programs.....	226	201	202	231

**E-Gov:**

Budget Formulation and Execution Line of Business.....	1	1	1	1
Enterprise Human Resources Integration.....	10	10	10	10
Human Resources Line of Business.....	1	1	1	1
Integrated Acquisition Environment.....	4	4	4	0
Total, E-Gov.....	16	16	17	12
Agency Total.....	2,002	1,667	1,913	1,913

**ACCOUNT 1: SALARIES AND EXPENSES****APPROPRIATIONS LANGUAGE**

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

**Office of Inspector General**

For necessary expenses of the Office of Inspector General, including employment pursuant to the Inspector General Act of 1978, \$98,208,000, 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 2020 is \$98,208,000. Of this amount, \$255,341 is to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

**LEAD-OFF TABULAR STATEMENT***Table OIG-5. Lead-Off Tabular Statement*

Item	Amount
2019 Annualized Continuing Resolution.....	\$98,208,000
Change in Appropriation.....	-
Budget Estimate, 2020 .....	98,208,000

**PROJECT STATEMENT***Table OIG-6. Project Statement (thousands of dollars, staff years (SY))*

Item	2017		2018		2019		Inc. or Dec.	Chg Key	2020 Budget	SY
	Actual	SY	Actual	SY	Annualized CR	SY				
Discretionary										
Appropriations:										
Audit Staff.....	\$48,122	242	\$48,122	225	\$48,122	246	-	-	\$48,122	246
Investigation Staff....	50,086	233	50,086	217	50,086	236	-	-	50,086	236
Total Available.....	98,208	475	98,208	442	98,208	482	-	-	98,208	482
Lapsing Balances.....	-2,426	-	-1,313	-	-	-	-	-	-	-
Bal. Available, EOY.....	-	-	-	-	-	-	-	-	-	-
Total Obligation.....	95,782	475	96,895	442	98,208	482	-	-	98,208	482

The FY 2020 President's Budget will allow the OIG to continue work in addressing the need for safety and security in Department programs and resources, strengthen the integrity of those programs, and help USDA achieve its program objectives by conducting and supervising audits and investigations related to USDA programs and operations. We will continue to investigate threats to the safety of meat, poultry, and egg products and help ensure that appropriate actions are taken to protect the public from food tampering and tainted food. We will also continue to investigate allegations of criminal activity in USDA's hurricane and other disaster relief assistance programs such as the Supplemental Nutrition Assistance Program (SNAP), crop insurance, indemnity payments, grants, and loans to ensure entitlements and benefits are distributed based on eligibility and used for their intended purpose.

Base funding supports OIG objectives to strengthen program integrity throughout USDA by maintaining the number of OIG audits initiated. These audits allow for the determination of whether any additional program controls are needed to enhance program efficiency and effectiveness for various programs within USDA, thereby, ensuring the effective use of taxpayer funding by USDA programs.

A portion of the funding will be utilized by the Office of Data Sciences to help develop business intelligence products that provide OIG with the ability to explore data to detect and reduce program vulnerabilities. These products identify potential relationships, patterns, inconsistencies, and trends to be addressed through audits or investigations, as appropriate.

**GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS***Table OIG-7. Geographic Breakdown of Obligations and Staff Years (thousands of dollars, staff years (SY))*

State/Territory/Country	2017		2018		2019		2020	
	Actual	SY	Actual	SY	Annualized CR	SY	Budget	SY
California .....	\$11,494	57	\$10,742	49	\$9,984	49	\$9,984	49
Georgia.....	11,091	55	11,179	51	10,391	51	10,391	51
Illinois.....	10,486	52	8,769	40	8,150	40	8,150	40
District of Columbia.....	18,148	90	19,076	87	20,782	102	20,782	102
Maryland.....	13,913	69	14,906	68	14,874	73	14,874	73
Missouri .....	20,164	100	21,044	96	21,598	106	21,598	106
Texas.....	10,486	52	11,179	51	12,429	61	12,429	61
Obligations.....	95,782	475	96,895	442	98,208	482	98,208	482
Lapsing Balances .....	2,426	-	1,313	-	-	-	-	-
Total, Available .....	98,208	475	98,208	442	98,208	482	98,208	482

**CLASSIFICATION BY OBJECTS***Table OIG-8 Classification by Objects (thousands of dollars)*

Item No.	Item	2017 Actual	2018 Actual	2019 Annualized CR	2020 Budget
	Personnel Compensation:				
	Washington D.C.....	\$8,404	\$9,389	\$14,161	\$14,303
	Personnel Compensation, Field.....	42,807	41,689	44,155	44,596
11	Total personnel compensation .....	51,211	51,078	58,316	58,899
12	Personal benefits .....	20,872	20,725	23,327	23,560
13.0	Benefits for former personnel .....	-	17	15	15
	Total, personnel comp. and benefits .....	72,083	71,820	81,658	82,474
	Other Objects:				
21.0	Travel and transportation of persons .....	1,849	2,188	1,455	1,155
22.0	Transportation of things .....	67	78	70	54
23.1	Rental payments to GSA .....	5,013	5,095	5,000	5,100
23.2	Rental payments to others .....	504	29	25	25
23.3	Communications, utilities, and misc. charges .....	1,215	1,860	1,300	1,200
24.0	Printing and reproduction.....	36	291	25	25
25.1	Advisory and assistance services .....	1,486	3,321	1,400	1,300
25.2	Other services from non-Federal sources .....	498	673	500	450
25.3	Other goods and services from Federal sources .....	361	208	200	150
25.4	Operation and maintenance of facilities.....	6,909	6,878	3,800	3,800
25.5	Research and development contracts .....	542	0	0	0
25.6	Medical care.....	1,498	1,548	1,000	900
25.7	Operation and maintenance of equipment.....	997	824	800	750
25.8	Subsistence and support of persons.....	25	0	0	0
26.0	Supplies and materials .....	478	572	450	400
31.0	Equipment.....	2,155	1,484	500	400
42.0	Insurance & Indemnities .....	66	26	25	25
	Total, Other Objects.....	23,699	25,075	16,550	15,734
99.9	Total, new obligations .....	95,782	96,895	98,208	98,208
	DHS Building Security Payments (included in 25.1).....	\$636	\$623	\$635	\$647
	Position Data:				
	Average Salary (dollars), ES Position .....	\$168,000	\$171,281	\$172,994	\$174,724
	Average Salary (dollars), GS Position .....	\$103,100	\$117,434	\$118,608	\$119,794
	Average Grade, GS Position .....	12.10	13.08	13.08	13.08

**STATUS OF PROGRAMS**

The Office of Inspector General (OIG) operates independently from the other agencies within the Department. OIG has the responsibility to: (1) provide policy direction and conduct, supervise, and coordinate all audits and investigations relating to programs and operations of the Department of Agriculture; (2) review existing and proposed legislation and regulations and make 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; (3) recommend policies for and conduct, supervise, or coordinate other activities in the Department whose purposes are to promote economy and efficiency, or to prevent and detect fraud, waste, and mismanagement; (4) recommend policies for and conduct, supervise, or coordinate relationships between the Department and other Federal, State, and local government agencies in: promoting economy and efficiency; preventing and detecting fraud, waste, and mismanagement; and identifying and prosecuting individuals and groups involved in fraud, waste, and mismanagement.; (5) keep the Secretary and the Congress fully and currently informed about fraud, waste, mismanagement, deficiencies, and other serious problems in Department programs and operation; recommend corrective action; and report on the progress made in correcting problems.

During fiscal year (FY) 2018, OIG issued 254 investigative reports, 42 audit reports, 5 interim audit reports, and 2 final action verification reports. Audit and investigative results totaled \$368.9 million. OIG investigations resulted in 510 indictments and 541 convictions. The period of time to obtain results following an indictment varies widely; therefore, the 541 convictions are not necessarily related to the 510 indictments. OIG’s return on investment for FY 2018 was approximately \$3.75 for every dollar invested.

**Audit Monetary Results**

During FY 2018, management decisions were made on 39 audit reports and 4 interim 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	\$41.0
Funds to be put to better use	<u>1.4</u>
<b>Total audit monetary results</b>	<b>\$42.4</b>

**Investigative Monetary Results**

	<u>(in millions)</u>
Claims established	\$1.4
Recoveries and collections	7.0
Cost avoidance (USDA program payments not made due to OIG investigations)	1.0
Fines	2.2
Administrative penalties	0.1
Asset forfeitures	42.0
Restitution	<u>272.8</u>
<b>Total investigative monetary results</b>	<b>\$326.5</b>

OIG’s audit and investigative work for 2018 is summarized under three strategic goals identified for the U.S. Department of Agriculture (USDA): (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. These strategic goals serve as both an outline of OIG’s audit and investigative work as well as the categories by which this Status of Programs Report is organized.

**SAFETY AND SECURITY - Strengthen USDA’s ability to implement and improve 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 and domestic meat, poultry, and egg products are safe, wholesome, and correctly labeled. Challenges to this include food-borne illnesses, unintentional or intentional adulteration of meat and other food products, exotic invasive pests, and trade issues related to animal and plant health. USDA programs must be properly administered so that the safety risk to those who consume the food products is minimized. The challenge is associated with ensuring a safe, secure, and healthy American agricultural system and economy.

Safety and security over computer and building assets is also important to ensure accidental or intentional breaches are quickly identified and remedied. In cooperation with other appropriate law enforcement and regulatory agencies, OIG responds to specific threats made against USDA employees in the performance of their official duties.

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

### ***Current Activities***

#### ***Audit Work:***

##### ***Cooperative Interstate Shipment Program***

OIG will evaluate the Food Safety and Inspection Service's (FSIS) compliance with the Cooperative Interstate Shipment (CIS) program requirements for the interstate shipment of certain State-inspected meat and poultry products. Specifically, we will determine if: (1) FSIS is providing adequate oversight, enforcement, and outreach of the CIS program; (2) States are providing inspection services in the same manner that complies with the Federal Meat Inspection and Poultry Products Inspection Acts; and (3) establishments are operating in compliance with the Federal Meat Inspection and Poultry Products Inspection Acts.

##### ***Controls Over Meat, Poultry, and Egg Product Labels***

OIG will evaluate FSIS' controls over meat, poultry, and egg product labels to ensure the establishments' claims that FSIS approves are accurate and supported.

##### ***Data Encryption Controls Over Personally Identifiable Information (PII) on USDA Information Technology Systems***

OIG's objectives are to (1) determine whether Departmental regulations and agencies' policies and procedures over system and database encryption are in compliance with Federal guidance and (2) determine whether agencies implemented sufficient encryption controls over the protection of PII.

#### ***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 that endangers the wholesomeness of the food supply.

**Smuggling of Prohibited Items** - OIG continues to investigate allegations received involving the smuggling, into the United States, of prohibited poultry, meat, or other items 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 United States (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.

##### ***Homeland Security***

OIG has an essential role in working with other governmental agencies to protect our Nation's agricultural resources from harm.

##### ***Threats to USDA Employees and Facilities***

OIG investigates threats against or harm done to USDA and employees in the course of performing their official duties and works with other cognizant Department and law enforcement agencies to proactively protect our employees and facilities.

### ***Selected Examples of Recent Progress***

#### ***Audit Work:***

##### ***Drug Enforcement on National Forest Lands***

OIG found that although Forest Service (FS) officials were conducting effective actions to detect and eradicate marijuana grown on National Forest System (NFS) lands, FS did not always reclaim and rehabilitate marijuana grow sites after plants were eradicated, and FS was unaware of the overall impact that these marijuana grow sites pose to the forest ecosystems. This occurred because of a lack of FS resources and expertise, as well as a lack of communication and coordination between FS' Law Enforcement and Investigations and NFS staff. As a result, trash and chemicals, such as pesticides and fertilizers, are still present on these grow sites, thereby putting the public, wildlife, and the environment at risk of contamination. In addition, FS has not conducted an overall assessment of the effect that marijuana cultivation has on the forest ecosystems. As a result, FS did not have adequate information needed to prioritize its limited resources to reduce the risk to the public and the environment. FS generally agreed with our findings and recommendations to assess how marijuana cultivation affects water, wildlife, and the forest; develop and implement guidance on cleaning up and monitoring grow sites; document hazardous materials at grow sites; and clean up these grow sites based on highest risk.

##### ***USDA Agency Activities for Agroterrorism Prevention, Detection, and Response***

Agroterrorism is a threat to national security and could result in human illness and death, destruction of crops and livestock, and economic loss to farmers and ranchers. OIG focused on three USDA agencies with mission areas related to agroterrorism and emergency preparedness: the Animal and Plant Health Inspection Service (APHIS), the Agricultural Research Service (ARS), and FSIS. We found the agencies developed plans and initiated actions to

prevent, detect, and respond to agroterrorism threats or attacks. However, we identified improvements the agencies can make to better track and report these actions. Specifically, OIG found that the three agencies did not have information readily available to respond to USDA's Office of Homeland Security's (OHS) requests related to the Homeland Security Presidential Directive-9 tracking document, the Sector Critical Infrastructure Protection Annual Report, and the Food and Agriculture Sector-Specific Plan. Also, APHIS and ARS did not report vulnerability assessment actions or results to OHS. FSIS did report vulnerability assessments but did not have sufficient information to indicate the status of corrective actions to address vulnerabilities. Finally, all three agencies need to make improvements to track and implement corrective actions from exercises or actual incidents. The agencies generally agreed with our recommendations, and OHS stated these recommendations should bolster its efforts to oversee USDA's agroterrorism preparedness.

*USDA, Office of the Chief Information Officer (OCIO), FY 2018 Federal Information Security Modernization Act*  
USDA continues to take positive steps to improve its information technology (IT) security posture, but many longstanding weaknesses remain. In FYs 2009 through 2017, OIG made 67 recommendations for improving the overall security of USDA's systems—47 recommendations are completed, and 20 open recommendations are overdue, which is an improvement over the 27 open recommendations in FY 2017. Our testing shows weaknesses still exist in six of the closed recommendations. We have also issued eight new recommendations based on security weaknesses identified in FY 2018. In addition, the Department's overall maturity level score that is based on the Office of Management and Budget's established standards for an effective level of security, indicates an ineffective level. The Department and its agencies must also develop and implement an effective plan to mitigate security weaknesses identified in the prior FY recommendations. Due to existing security weaknesses identified, we continue to report a material weakness in USDA's IT security that should be included in the Department's Federal Managers Financial Integrity Act report. The Department generally agreed with our findings and stated it has developed corrective actions and project plans to address prior year recommendations.

#### *Illegal Meat and Poultry Processing*

On September 20, 2018, the owner of a California meat and poultry processing plant was sentenced in the Central District of California to 24 months of probation, ordered to pay a \$5,000 fine and a \$50 special assessment fee, and required to complete 100 hours of community service. The manager was sentenced to 24 months of probation, ordered to pay a \$20,000 fine and a \$50 special assessment fee, and required to complete 100 hours of community service. In addition, the corporation was sentenced to 60 months of probation, required to abide by a compliance program plan, and ordered to pay a \$1 million fine and a \$400 special assessment fee. An extensive criminal investigation was initiated soon after a massive detention and recall of over one million pounds of meat was initiated in February 2012. The facility had been in operation for years and was processing millions of pounds of meat without the benefit of Federal inspection. In addition, the facility was misbranding the products produced at another location. This misbranding enabled the non-Federally inspected product to be presented for sale to the public as product that passed inspection. On June 11, 2018, the owner and the manager pled guilty. On July 31, 2018, the three co-defendants entered guilty pleas.

#### *Investigations Work*

##### *North Carolina Dog Fighting Ring*

This investigation was initiated by the Wilmington Safe Streets Task Force of the Federal Bureau of Investigation (FBI) as a narcotics investigation in the winter of 2015–2016. In addition to narcotics trafficking in and around Onslow County, North Carolina, the investigation also identified that the individuals were involved with various aspects of illegal dog fighting. These activities included breeding, selling, training, and sponsoring dog fighting contests. On November 21, 2016, 10 individuals were indicted in U.S. District Court, Eastern District of North Carolina, on charges of animal fighting and narcotics possession and distribution. On November 28, 2017, three individuals were sentenced. The first was sentenced to 48 months in prison followed by 60 months of supervised release; the second was sentenced to six months of home detention followed by 48 months of probation; and the third was sentenced to 100 hours of community service followed by 48 months of probation. These three individuals were ordered to pay special assessment fees ranging from \$25 to \$100. On December 1, 2017, three additional individuals were sentenced to prison for 96 months, 60 months, and 57 months, respectively, with each prison sentence followed by 36 months of supervised release. The first two were each ordered to pay a \$25,000 fine and a \$200 special assessment fee, and the third was ordered to pay a \$5,000 fine and a \$325 special assessment fee. On December 22, 2017, the last two individuals were sentenced to prison terms of 48 months and 108 months, respectively, with each prison sentence followed by 36 months of supervised release. Both of these individuals were ordered to pay a \$200 special assessment fee. The indictment for one individual was dismissed and one individual passed away while in custody awaiting sentencing.

##### *Interstate Smuggling of Quarantined Citrus Trees*

A joint investigation with APHIS' Inspection and Enforcement Services (IES) determined that a father and son transported quarantined citrus trees from Florida to Michigan with the intention of selling and distributing the trees for profit through retail sales online. The father and son arranged for the purchase of the citrus trees from a nursery

stock supplier in Florida and traveled by vehicle with other family members to take delivery. Upon their return to Michigan, the individuals repackaged the trees and sold them throughout the United States via online sales in violation of the citrus quarantine. In February 2017, the father and son were indicted in U.S. District Court, Eastern District of Michigan, on charges of conspiracy to transport quarantined citrus trees for sale in interstate commerce, unauthorized movement of a plant for distribution for sale, obstruction of an agency proceeding, and false statements. After pleading guilty, they were sentenced in October 2017. Collectively, they were ordered to pay a \$5,000 fine and a \$300 special assessment fee. The son was also sentenced to one day in prison and 12 months of home confinement.

**INTEGRITY OF BENEFITS - Detect and reduce USDA program vulnerabilities and deficiencies to strengthen the integrity of the Department's programs.**

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 and receive substantial levels of funding, but they 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.

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:

***Current Activities***

***Audit Work:***

*Review of the Food and Nutrition Service's (FNS) Disaster Relief Efforts Providing Nutrition Assistance to Puerto Rico as a Result of Hurricanes Irma and Maria*

OIG will evaluate FNS' oversight of disaster relief providing nutrition assistance to Puerto Rico as a result of hurricanes Irma and Maria.

***Adjusted Gross Income Compliance Verification Process***

OIG will evaluate the Farm Service Agency's (FSA) compliance with the income verification process requirements to ensure the accuracy of payments for USDA farm and conservation programs. Specifically, (1) assess the adequacy of FSA's compliance reviews of tax returns, and accountants' and attorneys' statements to determine income eligibility of each participant; (2) determine if participants' review files contained required documentation; (3) determine if participants met income eligibility limits; and, (4) determine if the Natural Resources Conservation Service (NRCS) sought recovery of ineligible payments.

***Evaluation of the Annual Forage Insurance Program (AFP) and Follow up on the Pasture, Rangeland, Forage (PRF) Insurance Program Recommendations***

OIG will evaluate the Risk Management Agency's (RMA) AFP and follow up on the implementation of the PRF recommendations.

***Investigations Work:***

OIG continues to investigate the most significant criminal violations involving benefits/entitlement fraud in the wide array of programs administered by USDA. We will focus our investigative efforts on fraud involving the following programs:

***FNS Nutrition Assistance and Food Service Programs***

OIG will continue to use investigative resources to focus on the Supplemental Nutrition Assistance Program (SNAP) fraud. We will leverage financial information and other analytical tools to explore trends in fraudulent SNAP activities by Electronic Benefits Transfer (EBT) to determine vulnerabilities, critical risks, and gaps in program controls. OIG will continue to work closely with FNS, as well as State and local law enforcement entities that have a joint interest in investigating these violations. Additionally, our work will focus on alleged criminal activity in other food and nutrition programs, such as the National School Lunch Program (NSLP), the Summer Food Service Program (SFSP), and the Child and Adult Care Feeding Programs (CACFP).

***FSA and RMA Programs***

OIG continues to investigate individuals allegedly providing false information to illegally obtain monies through FSA and RMA programs. OIG will allocate resources as needed to investigate potential fraud in FSA and RMA programs.

***Selected Examples of Recent Progress***

***Audit Work:***

*New York's Controls Over SFSP*

SFSP provides nutritious meals for children in low-income areas when school is not in session. New York is one of four States we reviewed as part of our audit of SFSP. Reports on the other three States—California, Texas, and Florida—will be published in FY 2019. The New York Education Department (State agency) oversees and reimburses sponsors for serving FNS' SFSP meals. We found that all five of the New York SFSP sponsors reviewed had multiple instances of sponsor noncompliance, including unsupported and questionable costs and reimbursements, inaccurate meal reimbursement rates, and recurring issues from previous reviews. State agency officials did not detect or correct these noncompliances because they did not adequately review sponsor information or did not take sufficient corrective action on any errors they found. We found that 6 of the 10 meal sites we visited had 14 SFSP noncompliances, including improper meal counts, incomplete delivery receipts, and other issues. These occurred because sponsors did not ensure that site staff were trained adequately or that the sites were monitored sufficiently. We also found that one of the five sponsors we reviewed did not comply with outreach requirements due to its lack of awareness of program requirements. As a result of these, as well as additional findings, there was reduced assurance of program integrity. FNS generally agreed with our 18 recommendations.

#### *Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) Program*

The 2014 Farm Bill authorized the ARC and PLC program. The ARC portion of the program protects producers against revenue shortfalls. Two options are available under ARC: county coverage (ARC-CO), which offered protection based on county average yields, and individual coverage (ARC-IC), which based protection on an individual farm's yields. The PLC portion of the program protects producers against price declines. We found that FSA issued documentation that may have incorrectly characterized ARC-CO as revenue protection as the Department characterized the program differently. This occurred because FSA did not properly coordinate with appropriate groups when implementing ARC/PLC. As a result, the public may not understand the goal of the program clearly. We also found that FSA made ARC-CO payments based on each farm's administrative county instead of the county where the farm was physically located. The agency did not consider whether physical location was a more reasonable approach when implementing the 2014 Farm Bill. Lastly, we found that 10 of 30 PLC yields reviewed were incorrect based on our review of production records and historical FSA records. This occurred because either PLC yields were calculated incorrectly, or FSA's spot-check review process was not robust enough to identify errors with retained yields. As a result, FSA made approximately \$109,580 in total improper payments for crop years 2014 and 2015. FSA agreed with our findings and recommendations.

#### *RMA Indemnity Payments to Pistachio Producers*

RMA's mission is to deliver crop insurance programs, through the Federal Crop Insurance Corporation (FCIC), to agricultural producers with effective, market-based risk management tools that strengthen producers' economic stability. In 2011, FCIC approved a pilot program for the delivery of actual production history crop insurance for pistachios. OIG found that four of the five producers claim files from one approved insurance provider (AIP) did not contain the required evidence to support the paid insurance indemnities. Specifically, three claim files did not contain sufficient evidence of the loss adjuster's field inspections, and four claim files did not contain evidence documenting the loss adjuster's determination that all pistachio trees were completely harvested. According to the AIP, this occurred because AIP staff did not include the required documentation in the respective claim files. As a result, indemnity payments of nearly \$7.7 million paid to four pistachio producers were questionable. RMA officials generally concurred with our recommendations to require the AIP to include adequate evidence to support the post-harvest field inspections and, if adequate supporting evidence is not available, recover from the AIP approximately \$7.7 million in indemnities paid to the four pistachio producers. RMA officials also concurred with our recommendation to require the AIP to provide staff training on documentation that must be included in claim files to support losses.

#### *Investigations Work:*

##### *RMA Crop Insurance, Bankruptcy, and Loan Fraud*

Our joint investigation with the FBI and RMA personnel in Iowa led to the imprisonment and a restitution order for a producer convicted of orchestrating large-scale crop insurance, loan, and bankruptcy fraud. The producer's insurance adjuster brought the matter to the attention of investigators, alleging that, during the spring of 2016, when surveying the producer's fields as part of a 2015 insurance claim, he noticed that most of the crops had not been harvested. Subsequent investigation determined that the individual submitted altered scale tickets from the 2014 crop year, and filed loss claims for 2012 through 2015. Scale tickets and settlement sheets were obtained from various grain elevators, which showed the individual's sale of grain from 2012 through 2015. These sales were then compared to production reports. The analysis determined that the individual received approximately \$662,518 in insurance subsidy and indemnity payments to which he was not entitled. The investigation further determined that the producer obtained approximately \$1 million in commercial loans from 2013–2015. His overstating of the amount of grain he had in storage and the number of acres he was farming caused inflated loan amounts. The borrower subsequently filed for bankruptcy, and during the process, submitted fraudulent bankruptcy documents and lied under oath during bankruptcy hearings. In August 2017, the individual pled guilty to providing false statements

on crop insurance documents, loan and credit applications, and bankruptcy fraud. In February 2018, following a plea agreement, he was sentenced in U.S. District Court, Northern District of Iowa, to 18 months in prison and 36 months of probation and ordered to pay \$1.1 million in restitution.

#### *FSA Conversion*

Our investigation of a South Dakota cattle farmer uncovered the submission of fraudulent loan applications to FSA and the subsequent unauthorized sale of cattle by an FSA borrower. Between August 2015 and October 2016, the borrower sold 54 head of FSA-mortgaged livestock, received \$73,540, and failed to provide the proceeds of the sale to FSA, as required by his loan agreement. In April 2017, the borrower was charged with five counts of conversion and one count of false statements. During plea negotiations, the borrower admitted that he did not own the cattle pledged as security to obtain the FSA loans. In November 2017, in U.S. District Court, District of South Dakota, the borrower pled guilty to one count of conversion and, in February 2018, was sentenced to 12 months in prison and ordered to pay \$275,404 in restitution to FSA and a \$100 special assessment fee.

#### *FSA Mail Fraud and Money Laundering*

On December 19, 2017, in U.S. District Court, Western District of Louisiana, a producer was sentenced to 108 months of prison and ordered to pay \$4.3 million in restitution to FSA and RMA. The court also ordered the individual to pay a \$1.6 million forfeiture judgment to USDA. OIG conducted this investigation to determine if the producer conspired with others to defraud USDA by falsifying documents submitted to FSA. OIG determined that, during a six-year period, the producer created fraudulent farming entities to obtain subsidy payments from the Direct and Countercyclical Program, the Crop Assistance Program, and the Supplemental Revenue Assistance Program. He was found guilty in a jury trial on charges related to mail fraud and money laundering.

#### *Agricultural Marketing Service (AMS) Wire Fraud*

On September 17, 2018, in U.S. District Court, Southern District of California, a father and son were sentenced for submitting false statements in order to be awarded more than \$4 million of Federal contracts from AMS. They were convicted of wire fraud, wire fraud conspiracy, and falsely making a writing to obtain money from the United States. The father was sentenced to 57 months in prison and 36 months of supervised release and ordered to pay \$1.7 million in restitution (most of which was joint and several with his son). His son was sentenced to 12 months in prison and 36 months of supervised release and ordered to pay \$1.5 million in restitution jointly and severally with his father. These sentences followed their February 8, 2018, guilty pleas. The father and son submitted to AMS falsified company financials that inflated the company's ability to perform. This was done for their company to become an approved vendor to bid and receive contracts from AMS. From April through August 2014, the company received five contracts from AMS totaling approximately \$4.3 million. The father and son then diverted substantial sums from the company to themselves and defaulted on four of the contracts. On November 2, 2016, the company and the father and son were charged in a 10-count indictment with wire fraud, money laundering, wire fraud conspiracy, and criminal forfeiture. On September 27, 2017, the father was charged with a superseding indictment, adding one additional count of wire fraud conspiracy.

#### *Rural Business Service (RBS) Wire Fraud*

While doing business as a non-traditional lender in RBS' Business and Industry (B&I) Guaranteed Loan Program (GLP), the individuals and entities investigated devised an elaborate scheme in which forged B&I guaranteed loan documents, purporting to reflect legitimate borrowers, were offered for sale to an investment firm on the financial secondary market. The firm's clientele included several investment funds and financial institutions in Illinois, Wisconsin, and Florida. Via wire transfer, the victim later purchased the fictitious B&I guaranteed loans. The conspirators subsequently entered into plea agreements and pled guilty in Federal court. While out on bond and awaiting sentencing for the initial fraud, the leader of the conspiracy convinced the U.S. District Court to delay his sentencing by representing to the court that he was assisting the victim in recovering money he obtained from the fraud. Instead, he used the time to carry out additional fraud. The leader of the conspiracy created three fraudulent projects that were later guaranteed under the RBS B&I GLP. Posing as a loan officer with a foreign financial institution, he sent numerous emails and correspondences to RBS to carry out the fraud related to the three fictitious projects. He was aided in his scheme by a new co-conspirator who also posed as a foreign banking employee. The three loans were for purported assisted living facilities in Florida. In January 2018, prior to sentencing for the initial fraud, the leader of the conspiracy was apprehended attempting to flee the United States. After his bond was revoked and he was remanded to custody awaiting sentencing, he continued to provide detailed instructions, via jail telephone calls, to his co-conspirator on how to continue the scheme. On March 6, 2018, he pled guilty to five counts of wire fraud in U.S. District Court for the Northern District of Illinois. He was sentenced to 300 months in prison and 48 months of supervised release and ordered to pay \$174.7 million in restitution and forfeiture. The court ordered the forfeiture of \$6.4 million in monetary assets seized from a financial account connected to the conspiracy. On May 3, 2018, the co-conspirator in the initial fraud scheme pled guilty to one count of wire fraud and was sentenced to 120 months in prison and 24 months of supervised release and ordered to pay \$27.6 million in restitution (jointly and severally with the leader of the conspiracy). On July 2, 2018, the co-conspirator in the second fraud scheme was sentenced to 24 months in prison, followed by 24 months of supervised release, and ordered to

pay \$505,000 in restitution. Additional action is pending for the leader of the conspiracy for his role in the second fraud scheme. This was a joint investigation with the FBI.

#### *RBS Misappropriation of Grant Funds*

On April 20, 2018, in U.S. District Court, Western District of Michigan, a farm owner/operator was sentenced to 7 months in prison and 24 months of supervised release and ordered to pay \$103,360 in restitution to RD's RBS. RBS offers competitive grants as part of the Value-Added Producer Grant (VAPG) program. These grants provide up to \$200,000 in working capital. Applicants must be independent producers who own 50 percent or more of the agricultural commodities that are the subject of an award. Applicants must demonstrate that grant funds will be matched on a one-to-one basis by individual contributions. Under a VAPG award, USDA pays for 50 percent of eligible expenses, up to the total value of the award, based on awardees' cost-reimbursement requests. In September 2014, this farm owner was awarded a \$200,000 VAPG to continue her organic blueberry farming operation in southwest Michigan. The investigation determined that she diverted grant funds to her personal use. On January 4, 2018, via a bill of information, she was charged with making false, fictitious, or fraudulent claims, and she pled guilty on January 11, 2018.

#### *FNS SNAP Trafficking Fraud*

A significant portion of OIG's investigative resources is dedicated to ensuring the integrity of SNAP. In FY 2018, our investigative work in SNAP resulted in 382 convictions and \$80.3 million in monetary results.

#### *New York Store Owner Used Three Stores to Commit SNAP Fraud*

On January 10, 2018, in U.S. District Court, Southern District of New York, a store owner was sentenced to 12 months and 1 day in prison and 36 months of supervised release. The owner was also ordered to pay \$3.2 million in restitution and a \$100 special assessment fee. This investigation was initiated as a result of information obtained from the New York City Police Department, which indicated that this store was violating SNAP rules and regulations by exchanging SNAP benefits for U.S. currency at a discount. In June 2012, a joint criminal investigation was initiated with the New York City Police Department. During the course of the investigation, the store owner exchanged SNAP benefits for U.S. currency at a discount. In approximately May 2014, the store ceased use of its EBT machine despite remaining authorized to participate in SNAP. This was done to avoid further detection at the original store. Instead, the store accepted SNAP benefits that were processed through EBT machines assigned to two related stores. From August 2010 through April 2014, the original store redeemed approximately \$1.9 million in SNAP benefits. From June 2014 to September 2016, the new stores redeemed approximately \$1.8 million in SNAP benefits. On November 9, 2016, search warrants were executed at all three stores. A criminal complaint was filed, charging the store owner with conspiracy to commit theft of Government funds and SNAP fraud. The store owner was subsequently arrested. On July 24, 2017, he pled guilty to conspiracy, theft of Government funds, and SNAP trafficking.

#### *Florida Business Partners Sentenced to Prison for SNAP Benefits Trafficking*

In December 2017, in U.S. District Court, Middle District of Florida, the owners of a convenience store in Orlando, Florida were sentenced for trafficking SNAP benefits. A joint investigation with the Orange County Sheriff's Office and the U.S. Immigration and Customs Enforcement's Homeland Security Investigations disclosed that the two individuals gave customers cash, alcoholic beverages, and tobacco products in exchange for SNAP benefits. The owners pled guilty to wire fraud and were sentenced to 33 months in prison, respectively, followed by 24 months of supervised release. They were also ordered to pay joint restitution totaling \$3.4 million.

#### *Detroit, Michigan, Store Owner Receives a Second Conviction for SNAP and Women, Infants and Children (WIC) Trafficking*

On July 24, 2018, a former Detroit area store owner was sentenced in U.S. District Court, Eastern District of Michigan, to 41 months in prison and 36 months of supervised release, fined \$100, and ordered to pay approximately \$2.3 million in restitution to FNS, the U.S. Department of Health and Human Services, and the U.S. Department of Education. In 2008, the individual was investigated and convicted of food stamp trafficking for his role in a similar scheme in Atlanta, Georgia. The investigation determined that the store owner redeemed approximately \$31,000 in WIC and \$5,000 in SNAP benefits each month. Throughout the investigation, the individual purchased SNAP and WIC benefits in exchange for cash, cigarettes, and other ineligible items, committing \$2 million in WIC fraud. A parallel investigation determined that the store owner and family members fraudulently received more than \$296,000 in personal welfare benefits including U.S. Department of Education Pell Grants. This investigation was conducted with the assistance of the FBI.

#### *Ten Members of Religious Community in Utah and Arizona Sentenced for SNAP Fraud*

Between December 2016 and February 2017, in U.S. District Court, District of Utah, nine individuals of a religious community were sentenced to time served and ordered to participate in SNAP benefits training provided by FNS. This investigation began in August 2014 when the FBI contacted OIG to inquire about individuals receiving SNAP benefits and stores accepting SNAP in Hildale, Utah, and Colorado City, Arizona (a.k.a., Short Creek). The investigation, conducted jointly with the FBI, the Internal Revenue Service (IRS), and the Washington County, Utah, Sheriff's Office, determined that members of the religious community in Short Creek were directed by their

leaders to turn over their SNAP benefits by using their EBT cards at stores owned by the religious community in the Short Creek area. On February 23, 2016, search warrants were executed on several businesses in Short Creek and 11 people, including the bishop of Short Creek, were arrested for conspiracy to commit SNAP fraud and money laundering.

Between December 2016 and February 2017, seven individuals pled guilty to one misdemeanor count of SNAP fraud and two other individuals pled guilty to felony SNAP fraud. On June 20, 2016, after being released to home confinement, the bishop slipped out of his ankle monitor and absconded. On June 16, 2017, he was apprehended in South Dakota after being recognized by a pawnshop owner when he tried to pawn some tools. The bishop was then transported back to Utah where he pled guilty to one count of felony SNAP fraud and one count of felony failure to appear. On December 13, 2017, he was sentenced to 57 months in Federal prison (45 months for the fraud plus 12 months for failure to appear) followed by 36 months of supervised release and ordered to pay \$1 million in restitution, payable to FNS. The court recognized that the church leadership forced their members into participating in this scheme. As a result, the three individuals who pled guilty to felonies were all church leaders. The storeowners were, in essence, shell owners as the church leaders dictated how and where the income from EBT transactions would be spent. In fact, the bishop used the money as a personal expense account that he accessed freely and even used the funds to purchase a truck for his own use.

#### **Other FNS Fraud**

##### *Pastor Fraudulently Obtained Over \$700,000 from SFSP*

On October 6, 2017, the founding pastor of a non-denominational church and his wife were sentenced in U.S. District Court, Central District of Illinois. The pastor was sentenced to 37 months in prison and 36 months of supervised release and ordered to pay \$440,964 in restitution, jointly and severally with the co-defendants. His wife was sentenced to 12 months and one day in prison and 36 months of supervised release and ordered to pay \$40,001 in restitution, jointly and severally with the co-defendants. The church operated an SFSP site for low-income children and was one of the largest recipients of SFSP funds in Illinois. The pastor and associates submitted or caused to be submitted approximately \$714,123 in false and fraudulent claims to the Illinois State Board of Education. The pastor and his wife admitted they embezzled more than \$100,000 from the program, including more than \$60,000 in direct payments to themselves. In September 2017, three other associates were sentenced in the same court. The church's business administrator was sentenced to 10 months of home detention and 50 months of probation and ordered to pay restitution of \$40,001, jointly and severally with the co-defendants. The program operations manager was sentenced to 5 months in prison, five months of home detention, and 36 months of supervised release and ordered to pay \$49,964 restitution, jointly and severally with the co-defendants. His wife, who worked as an assistant for the program, was sentenced to five months in prison, five months of home detention, and 36 months of supervised release and ordered to pay \$49,964 in restitution, jointly and severally with the co-defendants.

##### *Delaware Food Service Management Company Sentenced in Fraud Scheme*

On March 13, 2018, in U.S. District Court, District of Delaware, an employee of a food service company, which participated in the National School Lunch Program (NSLP), was sentenced to 36 months of probation and ordered to pay \$72,022 in restitution and a \$200 special assessment fee. On October 19, 2017, the owner of the company was sentenced to 23 months in prison followed by 36 months of supervised release and ordered to pay \$1.2 million in restitution. In April 2014, IRS' Criminal Investigation contacted OIG regarding a food service company possibly defrauding NSLP. During school years 2009 through 2014, the company operated as the primary food service company for several charter schools in Philadelphia, Pennsylvania. As such, the company was responsible for ensuring that meals were served only to eligible students. This joint investigation conducted by OIG and IRS' Criminal Investigation revealed that the company inflated the number of meals served in various schools and failed to report income when filing taxes. This failure was due to the company removing U.S. currency from the school cafeterias' cash registers. Interviews conducted determined that false statements were made and inflated claims for reimbursement were submitted to USDA through the Pennsylvania Department of Education. This investigation also revealed that the owner paid some of his employees in cash rather than by check. One employee received a larger portion of her salary in cash so that she could continue receiving welfare benefits and collect unemployment benefits by not reporting income. On March 22, 2016, the owner was charged with NSLP fraud, aiding and abetting, and structuring monetary transactions. On March 30, 2017, he pled guilty. On April 4, 2017, the employee was indicted on charges of tax evasion, SNAP fraud, and mail fraud. She pled guilty on November 30, 2017.

##### *Investigations has completed several related investigations involving SFSP and the Child and Adult Care Food Program (CACFP):*

On October 19, 2017, in U.S. District Court, Eastern District of Arkansas, the husband of an Arkansas Department of Human Services (ADHS) employee was sentenced to 175 months in prison and ordered to pay \$3.3 million in restitution, jointly and severally. He recruited sponsors for the At-Risk Afterschool Meals component of CACFP and encouraged inflated applications and reimbursement claims in a conspiracy with his spouse. As a result of their scheme, they received bribe payments from several sponsors. His spouse was an ADHS employee with

responsibility for approving such applications. She was previously sentenced in July 2017, to 108 months in prison and ordered to pay \$9.6 million in restitution. This case is part of a larger scheme detailed and associated with the four cases that follow.

On January 9, 2018, in U.S. District Court, Eastern District of Arkansas, a sponsor of SFSP and the At-Risk Afterschool Meals component of CACFP was sentenced to 33 months in prison followed by 36 months of supervised release and ordered to pay \$1.3 million in restitution, jointly and severally. This sentence followed her guilty plea to one count of bribery and one count of conspiracy to commit wire fraud. The sponsor admitted to submitting inflated claims of the number of children fed under her organization that caused her to receive \$1.3 million fraudulently from ADHS. Additionally, the sponsor admitted she paid an ADHS employee's husband part of the money she received from ADHS. The husband of the ADHS employee recruited her to participate in this scheme.

On December 6, 2017, in U.S. District Court, Eastern District of Arkansas, a sponsor of SFSP and the At-Risk Afterschool Meals component of CACFP was sentenced to 150 months in prison and 36 months of supervised release, ordered to forfeit several properties, and pay more than \$3 million in restitution, jointly and severally. For 3 school years, this sponsor received more than \$2.7 million from this program. OIG's investigation determined that the sponsor paid \$79,000 in bribes to two ADHS employees for approving her program applications containing inflated estimates of the number of children to be fed. The numbers of meals claimed by the sponsor for payment were not scrutinized by ADHS so long as the number was below the application amounts. OIG's investigation also determined that she took approximately \$950,000 from the feeding program funds for personal use.

On February 16, 2018, in U.S. District Court, Eastern District of Arkansas, a sponsor of the At-Risk Afterschool Meals component of CACFP was sentenced to 15 months in prison and 24 months of supervised release and ordered to pay \$697,236 in restitution, jointly and severally. This sponsor had three approved feeding sites located in Arkansas and claimed to ADHS that his organization fed as many as 872 children each day at these three sites. However, the investigation showed no children were ever actually fed at one of the sites, and very few children were fed at the two other sites. Due to the inflated claims, the sponsor fraudulently received approximately \$697,236 in ADHS funds intended to feed children in need. The sponsor pled guilty to conspiring to commit wire fraud.

On February 28, 2018, in U.S. District Court, Eastern District of Arkansas, a sponsor of SFSP and the At-Risk Afterschool Meals component of CACFP was sentenced to 33 months in prison and 36 months of supervised release. Additionally, he was ordered to pay \$1 million in restitution and to forfeit property. This sponsor operated 14 feeding site locations in Arkansas during the 2012 through 2015 contract years. He falsely claimed to ADHS that he served up to 175 children at some of his feeding site, greatly inflating the number of children that were actually fed. He made approximately 44 claims and received approximately \$1.3 million in ADHS funds intended to feed children in need. The sponsor pled guilty to conspiring to commit wire fraud.

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

To strengthen management through more efficient program operations that offer improved customer service, OIG works with USDA and its agencies to ensure that the programs the agencies administer continue to (1) improve human capital and 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:

***Current Activities***

***Audit Work:***

***USDA's Agency and Consolidated Financial Statements***

OIG will conduct our 2019/2018 annual audit of the USDA consolidated financial statements and the financial statements of the five stand-alone agencies and entities—FNS, NRCS, RD, the Federal Crop Insurance Corporation, and the Commodity Credit Corporation.

***Assessment of the WIC National Program Integrity Monitoring Branch***

OIG will evaluate the activities and effectiveness of the WIC National Program Integrity and Monitoring Branch.

***FS' Controls Over its Contract Closeout Process***

OIG will determine whether FS had adequate controls in place to ensure service contracts were timely and correctly closed out and funds were properly de-obligated.

***Investigations Work:***

In addition to supporting USDA in implementing its management improvement initiatives, OIG will continue to investigate allegations of public corruption, with our investigations leading to the potential prosecution and removal of USDA, State, and contract employees who have defrauded USDA programs to obtain personal benefit.

***Technical Crimes Division (TCD)***

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

#### *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.

#### *Misuse of Government Computers*

The Investigations Liaison and Hotline Division, along with TCD and USDA's Agriculture Security Operations Center (ASOC), have implemented an initiative to track, refer, and investigate a recent increase of incidents of potential criminal and administrative misuse of USDA computers.

#### *Allegations of Whistleblower Reprisal*

OIG is required to investigate allegations of whistleblower reprisal complaints alleged by employees of contractors, subcontractors, and grantees pursuant to requirements of the National Defense Authorization Act, 41 U.S.C. 4712.

#### ***Selected Examples of Recent Progress***

##### *Audit Work:*

##### *FNS' Controls Over SFSP*

OIG reviewed FNS' controls over SFSP to determine whether its controls were sufficient and found several areas for improvement. First, we found that FNS monitoring and oversight procedures did not sufficiently substantiate that States are properly administering SFSP and complying with program requirements. Specifically, management evaluation reviews, FNS' primary monitoring control process for ensuring SFSP integrity, lacked the necessary documentation to confirm whether they were completed correctly and contained valid conclusions. OIG also found that FNS waived SFSP regulatory requirements on a nationwide basis through policy memoranda without following documentation requirements set by law. Lastly, we found that FNS had not adequately assessed SFSP's risk for improper payments because it based the program's risk assessments on "readily available" information instead of a comprehensive program review. FNS generally concurred with our findings and recommendations, including modifying SFSP management evaluation review guidance so that reviews contain adequate documentation, obtain a formal legal opinion from the Office of the General Counsel as to whether the agency has the legal authority to create nationwide waivers, and to complete a risk assessment of SFSP.

##### *USDA's Management Over the Misuse of Government Vehicles*

USDA owns or leases close to 41,000 vehicles, a \$260 million operation. USDA's Office of Property and Fleet Management (OPFM) oversees the USDA fleet and provides guidance, but agencies are responsible for enforcing Departmental and Federal requirements. In FY 2017, OIG concluded that both FSIS and OPFM needed to improve their controls over the handling of alleged employee vehicle misuse complaints. OIG followed up by reviewing APHIS and FS and identified similar issues at both agency and Departmental levels. First, neither OPFM nor the agencies took effective actions to manage the continued use of over 23,000 underutilized vehicles. The agencies did not always submit accurate data and, as a result, OPFM overstated USDA's fleet inventory and underreported, in reports to General Services Administration and Congress, the number of employees who drive their Government vehicles home. Second, agencies did not properly investigate allegations that employees misused Government vehicles because OPFM did not send complaints to an independent employee misconduct investigative unit, as required, nor did it provide clear guidance on what allegation records to maintain. Third, agency employees operated Government vehicles without sufficient documentation to support authorization and qualification requirements. This occurred because OPFM did not provide agencies with procedures to ensure drivers met requirements. OPFM officials concurred with our findings and recommendations.

##### *USDA's Consolidated Balance Sheet for FY 2017*

OIG determined that USDA's consolidated balance sheet presents fairly, in all material respects, USDA's financial position as of September 30, 2017, in accordance with accounting principles generally accepted in the United States. Concerning the results of the five stand-alone agencies and entities: RD received an unmodified opinion on its financial statements for FYs 2016 and 2017 and FNS received an unmodified opinion on its comparative financial statements. In addition, an independent certified public accounting firm audited CCC's and NRCS' financial statements for FY 2017. The accounting firm report contains an unmodified opinion on CCC's and NRCS' FY 2017 Balance Sheet, as well as an assessment of the agencies' internal controls over financial reporting and compliance with laws and regulations.

##### *Investigations Work:*

##### *Contract Fraud*

This joint investigation identified several individuals who were conspiring to obtain construction contracts issued under: the Small Business Administration's (SBA) 8(a) Business Development program; SBA's Economically Disadvantaged Women-Owned Small Business program; and the Department of Veteran Affairs' (VA) Service-Disabled Veteran-Owned Small Business program. The programs are designed to award set-aside Federal

contracts to specific categories of small businesses. Using nominee owners, the subjects conspired to create seemingly eligible contractors who actually operated under the control of a few ineligible businesses. The contractors received more than \$165 million in set-aside contracts to which they were not entitled from USDA, the Department of Defense, and other Federal agencies. In total, eight individuals and two companies were indicted for varying offenses, including misprision of felony, wire fraud, conspiracy, false statements, and major fraud against the Government. To date, seven individuals have pled guilty and been convicted in U.S. District Court, District of South Carolina. From October 2017 through September 2018, they were sentenced to terms ranging from 24 months of probation to 72 months in prison. Additionally, 21 entities or individuals have been debarred from doing business with the Government and eight entities or individuals have been suspended. The entities and individuals receiving suspensions and debarments include some who were not indicted but were associated with the scheme. One corporation has paid a \$500,000 fine. The court issued a forfeiture order for \$2.6 million for one individual, and \$240,056 of that amount has been recovered. Sentencing for one individual is pending. Parallel civil proceedings are ongoing. This investigation was worked jointly with the Defense Criminal Investigative Service, Small Business Administration OIG, the U.S. Air Force Office of Special Investigations, the U.S. Army Criminal Investigation Command, Veterans Administration OIG, and the Department of Energy OIG.

*Misuse of Government Computer, Child Pornography*

On October 25, 2017, in District Court, Johnson County, Kansas, a former Office of the Chief Information Officer (OCIO) contract employee was sentenced to serve 310 months in prison, with an additional 32 months to run concurrently, for pleading guilty to exploitation of a child and rape. Additionally, he was sentenced to lifetime post-release supervision. OIG received information from USDA's ASOC that an employee may have been accessing child pornography sites on his Government-issued computer. OIG determined that the man, a USDA contract employee who worked at a USDA facility in Missouri, was, in fact, accessing child pornography on his USDA-issued laptop. OIG immediately notified the contractor of the employee's illegal activities, and his employment was subsequently terminated. The investigation also determined that he and his wife had served as foster parents for approximately 30 young girls. The man was charged with multiple counts of sexual crimes pertaining to children. When OIG and local law enforcement went to his Kansas residence to arrest him, they discovered he had left the United States and was working as a contractor for a firm in Iraq. OIG worked closely with his employer and Federal personnel to locate him and ultimately return him to the United States to face prosecution.

*Public Corruption, Kickbacks*

On August 29, 2018, in U.S. District Court, District of Utah, a contracting company was sentenced to 60 months of probation and ordered to pay \$326,324 in restitution and a \$400 special assessment fee. On August 1, 2018, an NRCS contracting officer was sentenced to 14 months in Federal prison and ordered to return a vehicle received as part of a kickback. This investigation began in May 2016 after OIG received information that a private contractor was paying kickbacks in the form of money and a vehicle to an NRCS contracting officer. On February 27, 2018, the contracting officer pled guilty to a bill of information charging one count of receipt of gratuity. On June 19, 2018, the contracting company pled guilty to a bill of information charging one count of wire fraud.

*Public Corruption, False Statements*

In February 2018, in U.S. District Court, Eastern District of California, a former Forest Service (FS) employee was sentenced on two counts of false statements to 41 months in prison and 24 months of supervised release and ordered to pay a \$200 special assessment fee. In June 2012, a joint investigation was conducted with Forest Service, Law Enforcement and Investigations, the Bureau of Alcohol, Tobacco, Firearms and Explosives, and the California Department of Forestry and Fire Protection (CAL FIRE) concerning a FS vehicle being set on fire in the El Dorado National Forest in Camino, California. The investigation revealed that the FS employee had willfully and purposely misled investigators regarding the destruction of his vehicle, and that he had taken a video recording and photographs of the fire using his personal cell phone. In May 2012, another fire-related incident concerning a Federal Government-owned warehouse occurred where the FS employee was the last person inside the building before it caught fire. The investigation ruled out all potential causes of both fires except for arson. Further, a CAL FIRE investigator determined that the vehicle fire was caused by arson. The FS employee was indicted in January 2015 on charges of arson, obstruction of justice, and false statements, and he was subsequently arrested in March of the same year. After a jury trial, he was found guilty of two counts of false statements, and not guilty of one count of false statements. The jury was unable to reach a verdict on the arson and obstruction of justice charges.