

2018 President's Budget  
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 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 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, 2016, OIG had 487 permanent full-time employees, including 91 employees located in the Washington, D.C., metropolitan area and 396 located in the field.

OFFICE OF INSPECTOR GENERAL

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

Item	<u>2015 Actual</u>		<u>2016 Actual</u>		<u>2017 Estimate</u>		<u>2018 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Salaries and Expenses:								
Discretionary Appropriations.....	\$95,026	525	\$95,738	492	\$95,556	480	\$92,689	458
Adjusted Appropriation.....	95,026	525	95,738	492	95,556	480	92,689	458
Balance Available, SOY.....	900	-	-	-	-	-	-	-
Total Available.....	95,926	525	95,738	492	95,556	480	92,689	458
Lapsing Balances.....	-2,284	-	-1,049	-	-	-	-	-
Balance Available, EOY.....	-900	-	-	-	-	-	-	-
Obligations.....	92,742	525	94,689	492	95,556	480	92,689	458
<u>Obligations under other USDA appropriations:</u>								
Risk Management Agency:								
Audit of Financial Statements.....	450	-	450	-	450	-	450	-
Food and Nutrition Services								
Audit of Financial Statements.....	1,006	-	610	-	1,000	-	1,000	-
Rural Development								
Audit of Financial Statements.....	1,000	-	825	-	900	-	900	-
Forest Service								
Audit of Financial Statements.....	400	-	124	-	400	-	400	-
OCFO/WCF Audits.....	800	-	545	-	625	-	625	-
Council of the Inspectors General on Integrity and Efficiency (CIGIE)								
(Legal Services).....	22	-	-	-	-	-	-	-
Total, Other USDA.....	3,678	-	2,554	-	3,375	-	3,375	-
Total, OIG.....	96,420	525	97,243	492	98,931	480	96,064	458

OFFICE OF INSPECTOR GENERAL

Permanent Positions by Grade and Staff Year Summary

Item	<u>2015 Actual</u>			<u>2016 Actual</u>			<u>2017 Estimate</u>			<u>2018 President's Budget</u>		
	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.....	12	14	26	12	13	25	11	12	23	10	11	21
GS-14.....	29	60	89	33	56	89	28	50	78	27	48	75
GS-13.....	20	139	159	22	135	157	20	122	142	19	116	135
GS-12.....	9	97	106	9	101	110	8	91	99	8	87	95
GS-11.....	5	48	53	5	47	52	5	42	47	5	41	46
GS-9.....	12	19	31	12	20	32	11	18	29	10	17	27
GS-8.....	2	10	12	2	10	12	2	9	11	2	9	11
GS-7.....	3	22	25	4	25	29	4	23	27	3	22	25
GS-6.....	3	1	4	3	1	4	3	1	4	3	1	4
GS-5.....	6	4	10	6	4	10	5	4	9	5	3	8
GS-4.....	-	-	-	-	1	1	-	1	1	-	1	1
Total Perm. Positions.....	111	414	525	118	413	531	107	373	480	102	356	458
Unfilled, EOY..	16	6	22	27	17	44	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY.....	95	408	503	91	396	487	107	373	480	102	356	458
Staff Year Est..	126	399	525	96	396	492	107	373	480	102	356	458

OFFICE OF INSPECTOR GENERAL

Motor Vehicle Fleet Data

Size, Composition, and Cost of Motor Vehicle Fleet

The 2018 Budget Estimates propose replacing 8 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 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. There will be a reduction of five motor vehicles from FY 2017.

Replacement of passenger motor vehicles. One 4x4 vehicle will be replaced by one 4x4 vehicle, four sedan/station wagons will be replaced by 4 sedan/station wagons, two minivans will be replaced with two minivans, and one pick-up truck will be replaced by a 4x2 vehicle.

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

Size, Composition, and Annual Operating Costs of Vehicle Fleet

Fiscal Year	Number of Vehicles by Type *							Annual Operating Costs (\$ in 000) **	
	Sedans and Station Wagons	Light Trucks, SUVs, and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles		Total Number of Vehicles
		4x2	4x4						
2015	83	48	30	-	-	-	-	161	1,024
Change	-	+17	-16	-	-	-	-	+1	+126
2016	83	65	14	-	-	-	-	162	1,150
Change	-11	-45	+48	-	-	-	-	-8	-260
2017	72	20	62	-	-	-	-	154	890
Change	-5	-	-	-	-	-	-	-5	+100
2018	67	20	62	-	-	-	-	149	990

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

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

OFFICE OF INSPECTOR GENERAL

Statement of Proposed Purchase of Passenger Motor Vehicles

Fiscal Year	Net Active Fleet, SOY	Disposals	Acquisitions			Net Active Fleet, EOY
			Replacements	Additions to Fleet	Total	
2015	83	1	22	-	22	82
2016	83	-	3	-	3	83
2017*	72	5	8	-	8	67
2018**	67	1	8	-	8	66

\*In FY 2017, OIG does not plan to purchase any additional passenger motor vehicles.

\*\*In FY 2018, OIG does not plan to purchase any additional motor vehicles

OFFICE OF INSPECTOR GENERAL

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

Salaries and Expenses:

For necessary expenses of the Office of Inspector General, including employment pursuant to the Inspector General Act of 1978, [\$95,738,000] \$92,689,000, 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 2018 is \$92,689,000. Of this amount, \$185,378 is to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

Lead-off Tabular Statement

Budget Estimate, 2018.....	\$92,689,000
2017 Annualized Continuing Resolution.....	<u>95,556,000</u>
Change in Appropriation.....	<u><u>-2,867,000</u></u>

Summary of Increases and Decreases  
(Dollars in thousands)

Program	2015 Actual	2016 Change	2017 Change	2018 Change	2018 President's Budget
Discretionary Appropriations:					
Audit.....	\$46,563	+\$349	-\$90	-\$1,405	\$45,417
Investigations.....	48,463	+363	-92	-1,462	47,272
Total.....	<u>95,026</u>	<u>+712</u>	<u>-182</u>	<u>-2,867</u>	<u>92,689</u>

OFFICE OF INSPECTOR GENERAL

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

Program	<u>2015 Actual</u>		<u>2016 Actual</u>		<u>2017 Estimate</u>		<u>Inc. or Dec.</u>		<u>2018 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Audit.....	\$46,563	268	\$46,912	251	\$46,822	235	-1,405	-11	\$45,417	224
Investigations.....	48,463	257	48,826	241	48,734	245	-1,462	-11	\$47,272	234
Total Adjusted Approp..	95,026	525	95,738	492	95,556	480	-2,867	-22	92,689	458
Bal. Available, SOY.....	+900	-	-	-	-	-	-	-	-	-
Total Available.....	95,926	525	95,738	492	95,556	480	-2,867	-22	92,689	458
Lapsing Balances.....	-2,284	-	-1,049	-	-	-	-	-	-	-
Bal. Available, EOY.....	-900	-	-	-	-	-	-	-	-	-
Total Obligations.....	92,742	525	94,689	492	95,556	480	-2,867	-22	92,689	458

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

Program	<u>2015 Actual</u>		<u>2016 Actual</u>		<u>2017 Estimate</u>		<u>Inc. or Dec.</u>		<u>2018 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Audit.....	\$45,444	268	\$46,398	251	\$46,822	235	-\$1,405	-11	\$45,417	224
Investigations.....	47,298	257	48,291	241	48,734	245	-1,462	-11	\$47,272	234
Total Obligations.....	92,742	525	94,689	492	95,556	480	-2,867	-22	92,689	458
Lapsing Balances.....	+2,284	-	+1,049	-	-	-	-	-	-	-
Bal. Available, EOY....	+900	-	-	-	-	-	-	-	-	-
Total Available.....	95,926	525	95,738	492	95,556	480	-2,867	-22	92,689	458
Bal. Available, SOY.....	900	-	-	-	-	-	-	-	-	-
Total Appropriation.....	95,026	525	95,738	492	95,556	480	-2,867	-22	92,689	458

## OFFICE OF INSPECTOR GENERAL

### Justifications

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.

- (1) A net decrease of \$2,867,000 (\$95,556,000 and 480 staff years available in 2017).

The funding change is requested for the following items:

- a. An increase of \$1,421,000 for pay costs (\$392,000 for annualization of the 2017 pay increase and \$1,029,000 for the 2018 pay increase).

This increase will allow OIG to continue to meet its objective to conduct and supervise 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 imposed on OIG. Approximately 76 percent of our budget supports personnel compensation and benefits. This increase would allow OIG to respond quickly and thoroughly to the requests for technical assistance and reviews that we regularly receive from the Department and from members of Congress. The types of projects OIG would be able to continue are audits, investigations, and other reviews of critical areas such as SNAP fraud, farm program fraud, and information technology security breaches potentially involving the compromise of personally identifiable information.

- b. A decrease of \$4,288,000 and 22 staff years for mission support of audits and investigations.

The agency would absorb the decrease in funding by reducing 22 staff years (5 percent of staff) through attrition and/or VERA/VSIP. To absorb the cuts, OIG would need to cancel or postpone at least 10 audits, including at least: (1) five audits involving safety and security concerns, and (2) five audits involving program integrity (e.g., farm programs and food nutrition).

Examples of the types of future audit work OIG would have to cancel or postpone can best be seen in issues covered in OIG's recent work, including USDA's response to antibiotic resistance; USDA's coordination of farm program compliance; USDA's implementation of its beginning farmers and ranchers' programs; Agriculture Research Service's oversight of the U.S. Meat and Animal Research Center; Animal and Plant Health Inspection Service's controls over the introduction of genetically engineered organisms; Food Safety and Inspection Service's inspection and safety protocols for ground turkey; Natural Resources Conservation Service's oversight of wetland conservation compliance in the Prairie Pothole Region; Food and Nutrition Service's controls to improve the use of administrative funds for the Supplemental Nutrition Assistance Program; Rural Development's oversight of credit reporting for the single family housing direct loan program; Risk Management Agency's implementation of the Rainfall and Vegetation Index Pilot Program for pasture, rangeland, and forage; and RMA's implementation of its National Program Operations Reviews.

The impact on our Investigations program would be similar. Fewer resources will result in a decline in the number of investigations we are able to work. To the greatest extent possible, we would have to focus our limited investigative resources on matters that we are statutorily required to investigate and matters that pose an immediate threat to the well being of the American public, as well as animal and plant health. This will have an adverse impact on the number and type of program integrity cases OIG could undertake. For example, OIG may have to decline to investigate SNAP fraud and major farm program fraud (farm loan and crop insurance).

OFFICE OF INSPECTOR GENERAL

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

State/Territory	<u>2015 Actual</u>		<u>2016 Actual</u>		<u>2017 Estimate</u>		<u>2018 President's Budget</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
California.....	10,976	65	11,547	60	11,653	59	11,333	56
Georgia.....	10,090	60	12,702	66	12,819	64	12,547	62
Illinois.....	9,373	57	10,008	51	10,099	51	9,714	48
Maryland.....	10,976	65	12,702	64	12,819	64	12,548	62
Missouri.....	18,625	105	19,631	102	19,810	99	19,226	95
Texas.....	9,933	56	10,393	53	10,488	53	10,119	50
District of Columbia.....	22,769	117	17,706	96	17,868	90	17,202	85
Obligations.....	92,742	525	94,689	492	95,556	480	92,689	458
Lapsing Balances.....	2,284	-	1,049	-	-	-	-	-
Bal. Available, EOY.....	900	-	-	-	-	-	-	-
Total, Available.....	95,926	525	95,738	492	95,556	480	92,689	458

OFFICE OF INSPECTOR GENERAL

Classification by Objects  
(Dollars in thousands)

	<u>2015</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>	<u>2017</u> <u>Estimate</u>	<u>2018</u> <u>President's</u> <u>Budget</u>
Personnel Compensation:				
Washington D.C.....	\$8,613	\$8,541	\$9,089	\$8,605
Field.....	43,854	43,487	44,314	41,890
11 Total personnel compensation.....	52,467	52,028	53,403	50,495
12 Personal benefits.....	20,395	22,547	20,539	20,580
13.0 Benefits for former personnel.....	10	12	10	10
Total, personnel comp. and benefits.....	72,872	74,587	73,952	71,085
Other Objects:				
21.0 Travel and transportation of persons.....	2,382	3,098	3,202	3,000
22.0 Transportation of things.....	65	80	107	107
23.1 Rental payments to GSA.....	5,316	5,029	5,200	5,200
23.2 Rental payments to others.....	439	358	449	449
23.3 Communications, utilities, and misc. charges...	1,160	948	1,706	1,600
24.0 Printing and reproduction.....	116	18	107	107
25.1 Advisory and assistance services.....	950	1,355	1,253	1,253
25.2 Other services from non-Federal sources.....	951	522	483	483
25.3 Other purchases of goods and services from Federal sources.....	2,271	722	667	667
25.4 Operation and maintenance of facilities.....	1,240	3,957	3,656	3,931
25.5 Research and development contracts.....	729	696	643	643
25.6 Medical care.....	732	1,166	1,078	1,078
25.7 Operation and maintenance of equipment.....	1,236	899	830	830
25.8 Subsistence and support of persons.....	80	19	17	15
26.0 Supplies and materials.....	555	505	567	476
31.0 Equipment.....	1,500	693	1,481	1,607
42.0 Insurance & Indemnities.....	148	37	158	158
Total, Other Objects.....	19,870	20,102	21,604	21,604
99.9 Total, new obligations.....	92,742	94,689	95,556	92,689
DHS Building Security (included in 25.3).....	\$563	\$612	\$609	\$609
Position Data:				
Average Salary (dollars), ES Position.....	\$173,500	\$174,000	\$175,000	\$175,000
Average Salary (dollars), GS Position.....	\$95,900	\$96,500	\$97,800	\$97,800
Average Grade, GS Position.....	12.9	12.9	12.9	12.9

OFFICE OF INSPECTOR GENERAL

Shared Funding Projects  
(Dollars in thousands)

	<u>2015</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>	<u>2017</u> <u>Estimate</u>	2018 <u>President's</u> <u>Budget</u>
<b>Working Capital Fund:</b>				
Administration:				
HR Enterprise System Management.....	-	\$3	\$3	\$4
Material Management Service Center.....	\$40	47	35	26
Procurement Operations Division.....	23	2	2	2
Mail and Reproduction Management.....	109	80	97	97
Integrated Procurement System.....	183	115	114	99
Subtotal.....	355	246	251	228
Communications:				
Creative Media & Broadcast Center.....	1	3	5	2
Correspondence Management:				
Correspondence Management.....	11	13	15	13
Finance and Management:				
NFC/USDA.....	150	135	138	126
Financial Management Services.....	405	413	340	328
Subtotal.....	567	564	498	454
Information Technology:				
NITC/USDA.....	341	370	284	306
Client Technology Services.....	619	77	120	111
Enterprise Network Services.....	67	135	607	630
Subtotal.....	1,027	582	1,011	1,047
Total, Working Capital Fund.....	1,949	1,392	1,760	1,744
<b>Department-Wide Reimbursable Programs:</b>				
1890's USDA Initiatives.....	\$14	\$16	\$19	\$17
Classified National Security Information.....	5	30	31	28
Continuity of Operations Planning.....	11	10	11	10
Emergency Operations Center.....	12	12	12	11
Facility and Infrastructure Review and Assessment.....	2	2	2	2
Faith-Based Initiatives and Neighborhood Partnerships.....	2	2	2	2
Hispanic-Serving Institutions National Program.....	9	8	10	9
Human Resources Transformation.....	9	8	9	8

OFFICE OF INSPECTOR GENERAL

Shared Funding Projects  
(Dollars in thousands)

	<u>2015</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>	<u>2017</u> <u>Estimate</u>	2018 <u>President's</u> <u>Budget</u>
Identity & Access Management (HSPD-12).....	34	34	35	31
Medical Services .....	8	10	10	9
People's Garden.....	4	3	3	3
Personnel Security Branch (was PDSD).....	43	44	46	41
Pre-authorizing Funding.....	19	18	19	17
Retirement Processor/Web Application.....	3	3	4	3
TARGET Center.....	7	7	8	7
USDA 1994 Program.....	4	3	4	4
Virtual University.....	10	10	10	9
<b>Total, Departmental Shared Cost Programs.....</b>	<b>196</b>	<b>220</b>	<b>235</b>	<b>211</b>
<b>E-Gov:</b>				
Budget Formulation and Execution Line of Business.....	1	1	1	1
Enterprise Human Resources Integration.....	11	10	10	10
E-Training.....	14	11	-	-
Financial Management Line of Business.....	1	1	-	-
Human Resources Line of Business.....	1	1	1	1
Integrated Acquisition Environment - Loan and Grants...	10	-	-	-
Integrated Acquisition Environment.....	3	8	4	4
<b>Total, E-Gov.....</b>	<b>41</b>	<b>32</b>	<b>16</b>	<b>16</b>
<b>Agency Total.....</b>	<b>2,186</b>	<b>1,644</b>	<b>2,011</b>	<b>1,971</b>

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 FY 2016, OIG issued 300 investigative reports, 40 audit reports, and 2 interim audit reports. Audit and Investigative results totaled \$374 million. OIG investigations resulted in 769 indictments and 621 convictions. The period of time to obtain results following an indictment varies widely; therefore, the 621 convictions are not necessarily related to the 769 indictments. Our return on investment is \$3.91 for every dollar invested in OIG in 2016.

Audit Monetary Results: During FY 2016, management decisions were made on 34 audit reports and 1 interim report, 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	\$52.3
Funds to be put to better use	<u>161.6</u>
<b>Total audit monetary results</b>	<b>\$213.9</b>

Investigative Monetary Results:

	<u>(in millions)</u>
Claims established	\$5.1
Recoveries and collections	3.0
Cost avoidance (USDA program payments not made due to OIG investigations)	2.0
Fines	1.0
Administrative penalties	2.0
Asset forfeitures	12.0
Restitution	<u>135.0</u>
<b>Total investigative monetary results</b>	<b>\$160.1</b>

OIG’s audit and investigative work for FY 2016 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. They serve as both a roadmap for OIG’s audit and investigatory work and as the main groupings for this Status of Programs Report.

**SAFETY, SECURITY, AND PUBLIC HEALTH – 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 or domestic meat, poultry, and egg products is 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 relative to animal and plant health. 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.

## OFFICE OF INSPECTOR GENERAL

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

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

### **Highlights of Current and Planned Audit Work:**

Forest Service Deferred Maintenance: OIG will evaluate the adequacy of Forest Service's (FS) controls over critical deferred maintenance, including safety inspections and condition assessments, to mitigate threats to public health and safety. We will also evaluate FS actions to effectively reduce its critical deferred maintenance backlog and address previous OIG audit recommendations.

Agroterrorism Prevention, Detection, and Response: OIG's objective is to evaluate if the USDA's Office of Homeland Security and Emergency Coordination's Continuity and Planning Division has developed and communicated effective plans and procedures designed to prevent, detect, and respond to agroterrorism threats.

Reviewing the Integrity of USDA's Scientific Research Program: OIG's objectives will be to assess whether those individuals conducting scientific research in USDA perceive they have, within reason, an unhindered ability to perform and communicate all aspects of their research assignments or projects; we will also assess whether the USDA Scientific Integrity Policy has sufficient controls to ensure that the scientific research results are published and communicated based on the actual research performed and the supported conclusions without undue interference.

FY 2017 Federal Information Security Modernization Act (FISMA): Using FISMA 2014 legislation, OIG will perform an independent assessment of USDA's Information Technology security throughout the Department in accordance with the annual Department of Homeland Security instructions. In addition, we will prepare a report in accordance with OMB/Cyberscope requirements.

### **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.

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:**

**Agriculture Marketing Service (AMS) Procurement and Inspection of Fruits and Vegetables:** OIG reviewed AMS' procurement program and found that 1,190 of 2,303 completed contracts issued by the Commodity Procurement Staff during FYs 2011-2013 were not closed out as required, causing AMS not to redirect \$19.6 million to other uses. We also found that AMS could not provide assurance that commodities in 29 of 97 sampled purchase orders were of domestic origin, as required by the Buy American Act. Additionally, AMS could not ensure that products for nutrition assistance programs met standards for USDA purchases because the Specialty Crop Inspection Division did not consistently conduct periodic file reviews and quality assessments. Finally, we found that AMS had not reviewed the Quality Assurance Program since its development in the 1970s. AMS agreed with our findings and recommendations.

**U.S. Meat Animal Research Center Review (USMARC):** In response to Congressional requests, OIG initiated an audit to examine Agricultural Research Service (ARS) oversight and monitoring practices of USMARC, evaluate the research practices and operations, and address concerns regarding animal welfare reported in an article published by *The New York Times* on January 19, 2015. We selected 33 specific statements from the article to determine their accuracy. Of these 33 statements, we determined that only 7 were materially accurate—26 were inaccurate, lacked sufficient context, or were uncorroborated. Overall, we did not find evidence indicating a systemic problem with animal welfare at USMARC. However, we did find that ARS could improve its oversight of animal welfare at the facility and take steps to make its research more transparent to the public. ARS concurred with our findings and recommendations to establish adequate policies, procedures, and processes related to oversight of animal welfare at USMARC and to consider taking steps to increase the transparency of USMARC's research.

**Adequacy of Controls to Prevent the Release of Sensitive Technology:** OIG found ARS only issued informal guidance and did not strengthen its controls as recommended, in 2005, to prevent the improper transfer of sensitive (dual-use) technology. OIG's current audit found that ARS did not assess all its research for Dual-Use Research of Concern (DURC) risk and limited regular monitoring to projects using select agents listed in DURC policy. Despite this weakness, OIG found that the nine projects reviewed did not release potential DURC information to the public. ARS also did not track all non-Government scientists in its database, or fully examine their background for criminal activity. They also did not obtain export licenses prior to sharing information and technology with foreign nationals. The agency agreed with our findings and recommendations.

**USDA Office of the Chief Information Office (OCIO) FY 2016 FISMA:** The Federal Information Security Modernization Act (FISMA) requires each agency to obtain an independent evaluation of its information security program and practices to determine its effectiveness. In FY 2016, OIG found that OCIO had not implemented corrective actions that the Department had committed to in response to prior recommendations from OIG. Our testing also identified weaknesses in 8 subject areas as defined for review by FISMA. Based on these outstanding recommendations and the findings in this report, OIG concludes that the Department lacks an effective information security program and practices. We noted that OCIO continues to take positive steps towards improving the Department's security posture, and the agency agreed with our recommendations.

**Selected Examples of Recent Investigations:**

**Food Safety and Defense – Distributing Adulterated Meat:** In December 2013, Food Safety and Inspection Service (FSIS) shared information with OIG that a California meat processing plant was processing diseased cattle for human consumption and averting regulatory inspections by FSIS. Eventually, those involved admitted to switching uninspected cancer eye cattle with inspected, healthy cattle as part of a scheme to circumvent USDA inspection procedures. The two owners of the meat processing plant and two employees were criminally charged. In February 2016, one owner was sentenced to 12 months and 1 day in prison, followed by 24 months of supervised release. The second owner was charged in August 2014 and was sentenced to 3 months in prison, followed by 12 months of supervised release, in March 2016. He was also sentenced to 50 hours of community service and ordered to pay \$2.1 million in restitution. Two other employees were charged and sentenced.

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Food Safety and Defense – Misbranding: OIG received a referral from FSIS, Office of Investigation, Enforcement, and Audit, alleging that a company misbranded and then exported meat products. It was determined that the owners and management personnel associated with a meat export warehouse in Iowa were, in fact, counterfeiting USDA certificates and misbranding meat. OIG personnel and investigators from the Internal Revenue Service, Criminal Investigation (IRS-CI), determined that the subject company had engaged in a long-term pattern of exporting and certifying meat as “halal” (a term designating meat that is religiously slaughtered) when in fact the product was either kosher or traditionally slaughtered. In March 2016, in U.S. District Court, Northern District of Iowa, the first corporate owner was sentenced to 12 months and 1 day in prison and ordered to pay a \$30,000 fine and a \$100 special assessment. The second corporate officer was sentenced to 36 months of probation and ordered to pay a \$5,000 fine and a \$50 special assessment. The founder/owner of the meat export warehouse was sentenced to 24 months in prison and 36 months of probation, ordered to forfeit \$185,000, and ordered to pay a \$60,000 fine, \$17,000 in prosecution costs, and a \$1,500 special assessment fee.

Food Safety Issues – Selling and Transporting without Inspection: This investigation began in March 2013 based on information from the Pittsburgh Police Department (PPD) and the Jefferson Hills Police Department (JHPD) that a man was slaughtering uninspected animals in his home and then distributing those animals to local retailers and restaurants for commerce. OIG and FSIS conducted a retail inspection of a local grocery store and discovered 41 bagged chickens bearing no labeling or USDA mark of inspection. Those items were believed to have been delivered the previous evening by the man under investigation. OIG, with the assistance of the USDA-FSIS, Humane Society Police Officers, and the JHPD, executed a search warrant at his Finleyville, Pennsylvania residence. During the execution of the search warrant, over 500 pounds of meat and poultry products were confiscated and disposed of as the product was deemed unfit for human consumption and the conditions at the residence were found to be unsanitary. In February 2016, in U.S. District Court, Western District of Virginia, the man was sentenced to 24 months of probation.

Food Safety and Defense – False Statements: OIG received a referral from FSIS officials that they had discovered various suspicious discrepancies in laboratory test result certificates for *Escherichia coli* (or *E. coli*) testing of beef product at a meat packing company. OIG initiated an investigation, and a search warrant was executed at the meat packing/processing facility. A recall was initiated for beef product soon after the warrant was executed and falsified testing documents from a Hazard Analysis and Critical Control Points coordinator were discovered. Falsifying the testing documents posed a possible threat to public health since the results did not accurately reflect whether the beef product contained *E. coli*. On November 14, 2014, a criminal complaint was filed, charging the man with providing false documents to FSIS. On May 5, 2016, in U.S. District Court, Central District of California, the man was sentenced to 12 months and 1 day of home monitoring, 36 months of probation, and 200 hours of community service. He was also ordered to pay \$307,696 in restitution to a specific food company and ordered to pay a \$100 special assessment.

Smuggling of Prohibited Items – Animal Fighting Venture: Homeland Security Investigations (HSI) informed USDA-OIG that Mexican Customs at the San Ysidro Port of Entry (POE) rejected the entry into Mexico of a southbound vehicle driven by a man. The vehicle was rejected and returned to the U.S. for attempting to import roosters into Mexico illegally. The vehicle contained approximately 60 fighting birds. The fighting cocks were all individually wrapped in nylon stockings, bound by the legs, were stacked upon one another, and hidden within non-factory compartments in the bed of the pickup truck. When the birds were removed from the compartments, fifty were dead. A complaint was filed, charging the man with one count of an animal fighting venture and one count of smuggling goods from the United States. In August 2016, in U.S. District Court, Southern District of California, he was sentenced to 5 months in prison, 24 months’ supervised release, and ordered to pay a \$100 penalty assessment.

Georgia Dogfighting Ring: In October 2015, in U.S. District Court, Middle District of Georgia, three of seven members of a dogfighting ring were sentenced for their participation in an interstate animal fighting scheme. Collectively, the seven men received sentences ranging from probation to 35 months in prison. Additionally, the seven men were ordered to pay a joint restitution of \$73,378. The sentencing of these individuals represented the culmination of a 5-year investigation into a dogfighting ring based in Albany, Georgia. Previously, in May 2015, the four additional conspirators were sentenced for the same offense. During the investigation, more than 130 pit bull terriers were seized and forfeited.

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Homeland Security – Lacey Act: This investigation was conducted jointly with the United States Fish and Wildlife Service and the Mississippi Department of Wildlife, Fisheries, and Parks to determine if three individuals fraudulently transported white tailed deer to Mississippi. The investigation disclosed that from 2009 through 2015, in violation of the Lacey Act, the aforementioned individuals transported numerous white tailed deer from Texas to Mississippi. In September 2016, in U.S. District Court, Southern District of Mississippi, the three men entered guilty pleas to Lacey Act violations. On the same day, two of the men were each sentenced to 36 months of probation and each fined \$10,000.

Organic Program: From 2010 through 2015, the owners of an organic alfalfa farm shipped approximately 1.3 million pounds of conventional alfalfa seed through a third-party processor, which were then sold as USDA-certified “organic” seed. The pair purchased the conventional seed for an average of \$2.40 per pound and sold the seed as “organic” for an average of \$3.86 per pound. This discrepancy resulted in a financial gain of approximately \$1.9 million. In March 2016, the husband and wife were charged with wire fraud, money laundering, and delivery of misbranded food product. In June 2016, in U.S. District Court, District of Idaho, the husband was sentenced to 36 months in prison, followed by 36 months of supervised release, and ordered to pay \$1.9 million in forfeiture, a \$7,500 fine, and a \$250 special assessment. His wife was sentenced to 36 months of supervised probation and ordered to pay a \$500 fine and a \$250 special assessment.

### **INTEGRITY OF BENEFITS – Detect and reduce 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:

#### **Highlights of Current Audit Work:**

National Institute of Food and Agriculture (NIFA) Formula Grant Programs: Oversight of Funds Used by Recipients Institutions: OIG will determine whether NIFA (1) formula funding of research, education, and extension activities aligned with the agency strategic plan, and (2) has adequate controls to ensure formula-funded recipients use funds according to applicable regulations and their grant agreements.

FNS Controls over Summer Food Service Program (SFSP): OIG will determine whether the Food Nutrition Service (FNS) has adequate controls in place to reasonably ensure SFSP is complying with program regulations and other requirements.

States Controls over SFSP: OIG will determine whether states have adequate controls in place to ensure SFSP is operating under program requirements. We will be assessing SFSP in the following four states: California, Florida, New York, and Texas. Specifically, our objective will be: (1) to evaluate the adequacy of selected state agency controls over SFSP; and (2) to determine if selected sponsors and distribution sites are in compliance with program requirements.

**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. We will focus our investigative efforts on fraud involving the following programs:

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 investigative resources to focus on SNAP fraud. We will leverage financial information and other analytical tools to explore trends in fraudulent SNAP activities by electronic benefit 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.

Farm Service Agency (FSA) and Risk Management Agency (RMA) Programs: OIG continues to identify individuals 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:**

USDA Monitoring of Highly Erodible Land and Wetland Conservation Violations: OIG reviewed the Natural Resources Conservation Service's (NRCS) controls to ensure compliance with requirements for Highly Erodible Land and Wetland Conservation provisions. We found that NRCS has not supplied its State offices with guidance for effective gully erosion control and has not reviewed State-level guidance to determine if this guidance is sufficient. Also, NRCS State and field staff used inconsistent approaches when performing the wetland conservation portion of the compliance reviews and had differing opinions about NRCS' response when the field conditions of tracts did not match the historical imagery and the wetland inventory maps. As a result, NRCS cannot determine an accurate rate of compliance for calendar year 2015 since it did not generate a representative sample. NRCS concurred with our recommendations.

FNS Controls over SNAP Benefits for Able-Bodied Adults without Dependents (ABAWD): OIG reviewed FNS' oversight of State agency controls over SNAP to determine if only eligible ABAWDs are receiving benefits. We found that SNAP provisions regarding ABAWD are difficult for States to implement. FNS can approve States' requests to temporarily waive the time limit in areas with high unemployment or insufficient jobs, but some States are requesting and receiving time limit waivers to reduce the burden of tracking ABAWD time limits. Therefore, in some States, an ABAWD may not be subject to work requirements. Further, the States have difficulty implementing provisions because the ABAWD requirements are complex. As a result, implementation of ABAWD requirements can be error prone, and when ABAWD policy is applied inaccurately, eligible ABAWDs are denied SNAP benefits while other ineligible ABAWDs are provided benefits. FNS generally agreed with our findings.

SNAP Administrative Costs: OIG reviewed FNS' and the States' oversight and monitoring of reimbursable SNAP administrative costs from programs administered by counties. We determined that FNS and the States should strengthen their financial management controls to improve efficiency and the effective use of over \$3.6 billion of SNAP administrative funds. Also, we found FNS could be more proactive in analyzing and containing variances in SNAP cost-per-case, which range from \$10 per case to as high as \$34 per case in States with county-administered programs, suggesting possible waste and operational inefficiencies. The agency's regional offices' financial management reviews and risk assessments are not consistent, and the national office has not developed guidance to ensure consistent results. We also found weaknesses in State and county management controls and a lack of FNS oversight that ultimately led to inaccurate financial reporting questioned costs. FNS generally concurred with our recommendations and OIG was able to accept management decision for some of the recommendations. Further action from the agency is needed before management decision can be reached for the remaining recommendations.

**Selected Examples of Recent Investigations:**

Investigations involving allegations of program fraud in agencies such as Rural Development, FSA, RMA and FNS comprise over 90 percent of our Investigative portfolio.

**Rural Housing Service (RHS) – Wire Fraud:** This investigation, which was conducted jointly with the Department of Housing and Urban Development (HUD) OIG, the U.S. Postal Inspection Service, the North Carolina Department of Justice, and the North Carolina State Bureau of Investigation, involved mortgage fraud in the Rural Housing Guarantee Program. The case involved allegations that employees of a manufactured/modular home dealer, and employees of multiple mortgage companies conspired together to sell manufactured/modular homes knowing that information about the sales and buyers' ability to repay the loans was false or deliberately omitted, and that the value of land and homes securing the loans was inflated. They also created a culture at the manufactured home dealer wherein employees were compelled to generate as many sales as possible. More than 1,100 manufactured homes were sold to buyers and financed with government-insured RHS and HUD loans totaling more than \$158 million, with failed loans resulting in losses to the United States exceeding \$21 million. In December 2015, in U.S. District Court, Western District of North Carolina, the former manufactured home sales manager was sentenced to 41 months in prison, 36 months supervised release, and ordered to pay \$4.1 million in restitution (jointly and severally with other defendants).

**FSA – Tax Fraud:** Our joint investigation with IRS-CI and the Tobacco Tax Bureau revealed that the president of a Virginia tobacco company submitted fraudulent tax returns and underreported sales volume in order to pay less in taxes. The sales volume reported to USDA was higher than the sales volume reported to the Tobacco Tax Bureau. Thus, there were two sets of reporting documents with differing sales reported. In January 2016, in U.S. District Court, Western District of Virginia, the tobacco company president pled guilty and was sentenced to 60 months in prison and 36 months of supervised release, and was ordered to pay \$4.7 million in restitution as well as forfeit over \$1 million in U.S. currency or property. The company agreed in a civil settlement to pay the Federal Government over \$6 million.

**RMA– Crop Insurance Fraud:** A joint investigation with IRS-CI and the RMA Special Investigation Branch disclosed that a North Carolina tobacco producer conspired with others to defraud the Federal Crop Insurance Program. The tobacco producer raised crops, sold them in the names of others, and then reported on insurance claim forms that the crops were lost due to natural disasters. He also placed crops and insurance policies in the names of conspirators to boost the amount of money he could collect on the insurance claims. The producer received more than \$1 on Federal crop insurance documents. In January 2016, he was sentenced in U.S. District Court, Eastern District of North Carolina, to 132 months in prison to be followed by 36 months of supervised release. He was ordered to pay over \$2.5 million in restitution to various Federal programs and to a specific bank, and ordered to forfeit over \$2.7 million.

**Rural Development– Bank Fraud:** This investigation was conducted jointly with the Federal Bureau of Investigation (FBI), the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), Small Business Administration – Office of Inspector General (SBA-OIG), the Federal Deposit Insurance Corporation – Office of Inspector General (FDIC-OIG), and the Tifton County Sheriff's Office. From August 2005 until June 2010, a bank president and CEO engaged in a scheme to mislead the bank and its loan committee about loans made to local individuals and businesses. He hid past-due loans from the FDIC and the bank loan committee, which resulted in the bank continuing to approve and renew delinquent loans and loans for which the collateral was lacking. Several of the borrowers eventually defaulted on the loans, resulting in millions of dollars in losses to the bank and others. As bank president, he made fraudulent representations to RD, which led to the issuance of a Business and Industry guaranteed loan. Unbeknownst to RD, this loan was made to refinance earlier non-performing commercial loans. The guaranteed loan resulted in losses to RD of more than \$1 million. He pled guilty to one count of conspiracy to commit bank fraud and one count of conspiracy to defraud the United States. In February 2016, in U.S. District Court, Middle District of Georgia, he was sentenced to 84 months in prison, 36 months of supervised release, and ordered to pay \$3.9 million in restitution.

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Rural Development - Fraud: A Wyoming woman, who was the chief executive officer of a local community health center, provided numerous forgeries, including the signature of a senior assistant in the Wyoming Attorney General's Office, in an attempt to secure a loan from the RD Community Facilities Loan Program. In November 2014, the woman was charged with 6 counts of possession of forged writings, 17 counts of forgery, 1 count of unauthorized use of personal identifying information, and 4 counts of false written statements to obtain property or credit. In November 2015, in the Third Judicial District, Rock Springs Circuit Court, Wyoming, the woman was sentenced to 36 to 60 months in prison and ordered to pay \$295 in fees and fines. The local community health center was not in operation at the time the woman applied for the Community Facilities loan, and RD did not provide any money towards the operation of this community health center.

Rural Development- Theft: OIG received a referral from HUD OIG alleging that a former executive director of a local housing authority and other staff members misappropriated HUD and RD funds. The investigation determined the former executive director, who was ineligible to be hired because she was a convicted felon, was hired by her mother, the chairperson of the board of commissioners. The former executive director wrote local housing authority checks in the amount of \$7,888 to herself for contract labor for services or work that was not performed at the HUD public housing units and RD units. The local housing authority required two signatures for checks to be written on HUD and RD supported units, and the former executive director colluded with her mother to sign the checks in order to embezzle the funds. The former executive director and her mother were each charged with theft of government property and aiding and abetting. In July 2016, the former executive director was sentenced in U.S. District Court, Northern District of Texas, to 6 months of home confinement, 24 months of probation, and ordered to pay \$7,887 in restitution (joint and several), and a \$25 special assessment. Her mother was sentenced to 12 months of probation, and ordered to pay \$7,887 in restitution (joint and several), and a \$25 special assessment. Both women were required to agree to a voluntary exclusion for suspension and debarment.

Rural Development- False Statements: From May 2012 through May 2013, the owner of a residential construction company built houses to sell to individuals through the RD Single Family Housing Guaranteed Loan Program and HUD's Federal Housing Administration Loan Program. The defendant and a co-conspirator knowingly assisted borrowers in making false statements to USDA and HUD in order to obtain federally guaranteed or insured housing loans. On November 10, 2015, the co-conspirator was sentenced to 60 months of probation and ordered to pay \$82,779 in restitution. In July 2016, in U.S. District Court, District of South Carolina, the owner pled guilty to one count of conspiracy to make false statements to influence mortgage lenders. He was then sentenced to 60 months of probation and ordered to pay \$361,471 in restitution.

Farm Service Agency- False Loan Applications: This investigation determined a vice president/loan officer of a Mississippi bank misused his position and manipulated bank records, misapplied funds, issued fraudulent letters of credit, and forged signatures on loan documents and check endorsements pertaining to FSA guaranteed loans. These fraudulent activities resulted in FSA-guaranteed loan losses in excess of \$1 million and losses in additional bank loans in excess of \$2.5 million, bringing the total amount of loss to over \$3.6 million. He was charged with one count of bank fraud and one count of embezzlement. In July 2016, in U.S. District Court, District Southern District of Mississippi, the man was sentenced to 24 months in prison, 60 months of probation, and ordered to pay \$3.3 million in restitution.

Farm Service Agency- Bank Fraud: This investigation determined that a producer conspired with others to sell 133 head of livestock (valued at approximately \$215,294) and hay (valued at \$10,875) which had been put up for collateral on a USDA loan. In May 2015, in U.S. District Court, Southern District of Iowa, the producer was indicted on one count of a scheme to commit bank fraud, two counts of wire fraud, one count of conversion of mortgaged property, one count of theft of government property, and one count of making a false statement. The producer pled guilty to one count of wire fraud and one count of conversion and was sentenced to 24 months in prison, 36 months of supervised release, and ordered to pay \$395,968 in restitution in July 2016.

Risk Management Agency- False Claims: This investigation, in which we received assistance from RMA investigators and RMA-Special Investigations Branch, resulted from information uncovered by the U.S. Secret Service and IRS-CI agents investigating bankruptcy fraud by the producer, discovered that individuals associated a large farming operation in Decatur had made false and fictitious claims in regard to the farming operation and the bankruptcy. In October 2015, in U.S. District Court, Western District of Michigan, two individuals connected

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with the scheme were each sentenced to 12 months of probation, ordered to perform 200 hours of community service, and were each fined \$10,100. In March 2015, the two individuals who were sentenced in October 2015, and another man was charged with conspiracy; concealment of assets; false oaths and claims; bankruptcy fraud; false, fictitious, or fraudulent claims; false statements, false declarations before the Court; and bank fraud. The three individuals pled guilty in May 2015 to various charges, and a fourth defendant in the case was also sentenced.

Food and Nutrition Service – Child and Adult Care Feeding Program – Theft: In November 2015, as a result of a violation of supervised release (VOSR), in U.S. District Court, Eastern District of New York, the husband of a child development center owner was sentenced to 2 weeks in prison, followed by 36 months of supervised release, and ordered to perform 880 hours of community service working in a soup kitchen. In December 2014, he was cited with a VOSR-related charge of failure to forfeit property/remit proceeds in accordance with his sentence. At the request of the judge, a financial investigation was conducted by the U.S. Attorney's Office, OIG, IRS-CI, and U.S. Probation and Pretrial Services. The child development center had participated in the FNS' Child and Adult Care Feeding Program since 2002 and collected reimbursements for meals served, totaling approximately \$13.2 million. The VOSR charge stems from a conviction of the husband where he and his wife were charged with theft and bribery concerning programs receiving Federal funds. The husband was originally sentenced to 36 months of probation, to include 12 months of home confinement with electronic monitoring, and was ordered to perform 300 hours of community service. In addition, he was ordered to pay restitution (jointly and severally with his wife) of over \$2.2 million, a \$7,000 fine, and a \$100 special assessment. In addition, the couple was ordered to forfeit \$3 million. On October 1, 2013, the owner (wife) was sentenced to 57 months in prison, followed by 36 months of supervised release, 300 hours of community service, and was ordered to pay restitution (jointly and severally with her husband) in the amount of over \$2.2 million, a fine in the amount of \$100,000, and a \$100 special assessment.

### SNAP EBT – Trafficking Fraud:

A significant portion of OIG's investigative resources is dedicated to ensuring the integrity of SNAP. In FY 2016, our investigative work in SNAP resulted in 510 convictions and \$95.6 million in monetary results.

Ohio Man Sentenced for Assault during SNAP Fraud Investigation: In October 2015, in U.S. District Court, Northern District of Ohio, a Youngstown, Ohio, store owner was sentenced to 84 months in prison for brandishing a firearm at OIG special agents and other law enforcement personnel during the execution of a SNAP trafficking-related search warrant at his residence. Additionally, the Court ordered the store owner to serve an additional 10 months in prison for possession of a firearm in connection with the assault on law enforcement personnel. In March 2016, the store owner and 29 SNAP recipients were indicted on charges of conspiracy to commit food stamp fraud.

Joint OIG and FBI Investigation Results in More Than \$100K in Seizures: Our investigation, conducted jointly with the FBI, revealed that from 2011 through August 2013, a store owner defrauded USDA by allowing SNAP recipients to pay off store credit accounts and allowing them to purchase ineligible items with their SNAP benefits. In October 2015, in U.S. District Court, District of Guam, the store owner was sentenced to 8 months of house arrest, followed by 5 years of probation, and ordered to pay \$400,000 in restitution. This sentencing was subsequent to her guilty plea to one count of unauthorized use of food stamps.

New York Store Owners Found Guilty of SNAP and Marriage Fraud: Our investigation revealed the store owner and a family member (who was an employee at the store) fraudulently exchanged \$1.7 million in SNAP benefits for cash and ineligible items. Our investigation also revealed the store owner paid a third party \$10,000 to fraudulently marry the family member, who had overstayed his F-1 student visa, so he could remain in the United States. The store owner and family member were indicted and convicted by the U.S. District Court, Northern District of New York. In April 2015, the store owner was sentenced to serve 48 months in prison and 36 months of supervised release; the family member/employee was sentenced to serve 18 months in prison and 36 months of supervised release. Both subjects were ordered to pay restitution jointly and severally in the amount of approximately \$1.7 million. In April 2016, the third party, who received cash to commit marriage fraud, was convicted via jury trial and was sentenced to 14 months in prison followed by 36 months of supervised release.

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Michigan Store Owner Ordered to Pay over \$5.5 Million: Our investigation determined that SNAP trafficking had occurred at a store location in Michigan from 2006 through 2011. In September 2011, Federal search warrants were conducted at the business and the residence of the store owner, during which evidence relating to SNAP fraud was obtained. In May 2016, in U.S. District Court, Eastern District of Michigan, the store owner and his employee were each sentenced to 24 months in prison, followed by 36 months of supervised release, and were ordered to pay approximately \$5.7 million in restitution (joint and several) and a \$100 special assessment.

Illinois Store Owner Ordered to Pay \$1.5 Million: This investigation, conducted jointly with Homeland Security Investigations, was conducted to determine if a Chicago, Illinois store illegally obtained and redeemed USDA SNAP benefits. The investigation disclosed that the store owner obtained and redeemed SNAP benefits by means other than the sale of eligible food items. From April 2013 through July 2013, he conducted multiple transactions that resulted in the exchange of SNAP benefits for cash and tobacco. In U.S. District Court, Central District of Illinois, in June 2016, he was sentenced to 24 months in prison and ordered to pay \$1.5 million in restitution payable to USDA. Upon completion of his sentence, he will be eligible for deportation from the United States.

Forfeiture Order Issued for Over \$3.5 Million: A compliance investigation, conducted by FNS' Retailer Investigations Branch, resulted in an OIG investigation that determined the owner of a Massachusetts retail store with very little food inventory violated SNAP rules and regulations by exchanging SNAP benefits for cash. In October 2014, a search warrant was executed at the store. In September 2015, the store owner was charged in U.S. District Court, District of Massachusetts, with conspiracy to commit SNAP fraud and money laundering. The store owner subsequently pled guilty and was sentenced in July 2016 to 12 months and 1 day in prison, followed by 36 months of supervised release, and ordered to pay \$3.5 million in restitution. Additionally, an order of forfeiture was issued for \$3.5 million.

Georgia Store Owner Sentenced to Over 50 Months in Prison and Over \$5 Million Restitution: This investigation, conducted jointly with the FBI and the Georgia Department of Human Services – Office of Inspector General (GDHS OIG), revealed that a store owner in Georgia exchanged SNAP benefits for cash. He was indicted on 8 counts of wire fraud and an arrest warrant was issued for his arrest. He pled guilty to all 8 counts of wire fraud without a plea deal. In August 2016, in U.S. District Court, Northern District of Georgia, a store owner was sentenced to 51 months in prison, 36 months' probation, and ordered to pay an \$800 special assessment, \$5.2 million in restitution, and ordered to forfeit \$27,091.

SNAP Fraud at Florida Flea Market Attributed to Estimated \$29 Million in Fraud: This joint investigation was initiated based on information provided by the Florida Department of Children and Families (DCF) regarding an identity theft case originating in Palm Beach County, Florida. The USDA-OIG and the Palm Beach County Sheriff's Office determined that a store owner of a fish market obtained SNAP EBT cards with stolen identities and took the fraudulently obtained EBT cards to an Opa Locka flea market to exchange SNAP benefits for cash. Coincidentally, USDA-OIG was already conducting an investigation involving numerous retailers at the same flea market. As a result, these investigations were combined into Operation Stampede/Operation Cash Hungry, a multi-agency investigation involving both state and federal law enforcement as well as the United States Attorney's Office and the Florida Attorney General's Office of Statewide Prosecution. The investigation involved more than 160 SNAP trafficking transactions with 30 different flea market retailers. The estimated fraud attributable to the 18 flea market retailers targeted in this operation is more than \$29 million. In September 2016, in U.S. District Court, Southern District of Florida, the store owner of the fish market pled guilty to one count of SNAP fraud and one count of wire fraud. He was sentenced to 33 months in prison, followed by 36 months of supervised release, and was ordered to pay \$872,972 in restitution.

### **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 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.

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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:**

**Forest Service's Next Generation and Legacy Air Tanker Contract Awards:** OIG will determine if the FS next generation (next gen) and legacy air tanker contracts were solicited, competed, and awarded according to the federal acquisition regulation (FAR) and that contract modifications are within the scope of the original award. In May 2013, the FS awarded the first next-gen air tanker contract. FS Acquisition Management conducted questionable contracting practices and violated the FAR, which was detailed in a General Accountability Office (GAO) contract award determination report. Based on these questionable practices and violations, we will verify that the next gen contracts and legacy air tanker contracts have been solicited, competed, and awarded according to the FAR to ensure the air tankers are able to continue to operate in the best interest of FS.

**USDA'S Process for Handling Vehicle Misuse Complaints:** In October 2015, OIG investigations received a complaint from Departmental Management (DM) stating that agencies do not effectively handle "egregious" complaints of vehicle misuse. USDA operates over 40,000 vehicles. Since 2012, DM has received more than 180 reports of vehicle misuse. In OIG's recent audit (50099-0002-21), we found that FSIS needed to strengthen its procedures and implement a more effective system to process and resolve vehicle misuse complaints. Our objective is to determine if the Office of Procurement and Property Management (OPPM) effectively oversees USDA agencies and their processes to resolve complaints and hold employees accountable after receiving complaints on the misuse of government vehicles.

**Animal and Plant Health Inspection Service (APHIS) – Animal Welfare Act (AWA) - Marine Mammals (Cetaceans):** Recent tragic incidents involving marine animals in captivity have garnered public attention. Our objective will be to determine whether exhibitor facilities meet AWA regulations, whether regulations need to be updated to be in agreement with current scientific care and maintenance guidelines, and whether the agency has established an adequate system to monitor compliance.

**USDA's Agency and Consolidated Financial Statements:** OIG is completing the 2016/2015 audits of five agencies' statements and USDA's consolidated financial statements. We will also conduct our 2017/2016 annual audit of the USDA consolidated financial statements and the financial statements of the five stand-alone agencies and entities—FNS, NRCS, RD, Federal Crop Insurance Corporation (FCIC), and the Commodity Credit Corporation (CCC).

### **Highlights of Current and Planned 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 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.

**Misuse of Government Computers:** Investigations Liaison and Hotline Division, along with TCD and the USDA Agriculture Security Operations Center have implemented an initiative to track, refer, and investigate a recent increase of incidents of criminal and administrative misuse of USDA computers.

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

**Fiscal Year 2016 Classification Management:** OIG reviewed the Office of Homeland Security and Emergency Coordination's (OHSEC) implementation of recommendations regarding the Department's internal management controls over classified material. OIG found that OHSEC does not have an internal control structure sufficient to minimize the risk of overclassifying or improperly releasing national security information, despite the agency's agreement to take appropriate actions towards that goal in a 2013 audit. During our current audit, we found 11 recommendations from the previous audit that were not timely addressed at the time of our fieldwork. Corrective actions were implemented for 6, but weaknesses still exist in 4 of those recommendations. OHSEC is currently taking steps to implement our previous recommendations and agreed with our current ones. OIG accepted management decision on all recommendations.

**USDA's FY 2015 Compliance with Improper Payment Requirements:** OIG concluded USDA did not comply with improper payment requirements as set forth by the Improper Payments Information Act of 2002 (IPIA), as amended, for a fifth consecutive year. USDA reported mandatory improper payment information for 18 programs identified as susceptible to significant improper payments (high risk). We found that USDA complied with three of the six IPIA requirements. However, 9 of the 18 high-risk programs did not comply with one or more of the following requirements: (1) publishing an improper payment estimate as required; (2) meeting annual reduction targets; or (3) publishing gross improper payment rates of less than 10 percent. The Department generally agreed with our findings and recommendations to correct these issues.

**USDA's Consolidated Financial Statements for FYs 2015 and 2014:** OIG was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion, and as a result, the report contains a disclaimer of opinion for FY 2015. OIG's review of USDA's internal controls over financial reporting identified four significant deficiencies, two of which are material weaknesses. Specifically, four of USDA's component agencies need to make further improvements to their internal controls over financial reporting. Also, USDA needs to improve its IT security and control and improve its controls over financial reporting. Additionally, this finding shows that real property costs were not always properly classified. The final significant deficiency we identified relates to deviations in IT controls over one financial system. The Department concurred with our findings and generally agreed with our recommendations.

As for the results of the five stand-alone agencies and entities – RD received an unmodified opinion on its financial statements for FYs 2015 and 2014 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 2015. The accounting firm report contains a disclaimer of opinion on CCC and NRCS' financial statements, as well as an assessment of the agencies' internal controls over financial reporting and compliance with laws and regulations.

**Forest Service Firefighting Cost Share Agreements with Non-Federal Entities:** OIG found that FS had not comprehensively reviewed fire protection boundaries to determine if such exchanges distribute costs equitably to all parties, and if any lands exchanged share similar risks and costs to protect, as mandated by the fire protection agreement. OIG also found that local cooperators (local firefighters) used indirect cost rates for firefighting activities that may have been excessive and unreasonable. FS did not safeguard its assets by establishing policies and procedures to review indirect cost rates charged by local cooperators. As a result, we questioned over \$4.5 million in administrative costs paid to nine cooperators in California. In addition, FS overpaid \$6.5 million to Colorado State University for unallowable administrative costs during a 4-year period. The agency agreed with our recommendations, and we reached management decisions on seven of the eight recommendations.

**Forest Service Wildland Fire Activities – Hazardous Fuels Reduction:** OIG found that FS lacks a consistent, cross-agency process for selecting its highest priority hazardous fuels reduction projects for completion. FS units do not use scientifically based risk assessments to select projects, nor do they document the process used for selecting projects. Furthermore, the national office does not review project decisions made at the regional and district levels. FS' methodology for tracking accomplishments leads to inadequate data. Also, despite guidance directing that time should be documented only for "actual work performed," FS units charged work hours to the Hazardous Fuels Reduction budget line item for work that may not have supported those activities. In response to

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our 2006 audit, FS developed the Hazardous Fuels Priority Allocation System catastrophic wildland fire. FS generally agreed with our recommendations.

**Controls over the Conservation Stewardship Program (CSP):** Despite NRCS' efforts to correct the issues previously reported in our Conservation Security Program audit, our current CSP audit, using FSA data, identified errors in information reported by participants on 40 of the 59 CSP contracts to which we took exception. We found that NRCS lacks adequate controls to detect erroneous participant-reported CSP information affecting eligibility and payment amounts. We also found that NRCS had inadequate controls over contracting for and documenting implementation of conservation enhancements. We took exception to a total of 59 contracts and total estimated contract costs of more than \$11.5 million. As a result, we recommended NRCS incorporate specific and ongoing collaboration with other USDA agencies. NRCS generally agreed with our recommendations, but expressed concerns about using additional FSA data to validate CSP applicant information. We continue to work with NRCS to reach agreement on the outstanding recommendations.

**RMA Crop Insurance Compliance Case Management:** OIG determined that RMA has not developed an overall formal strategy for supervising and overseeing the compliance case management activities of its regional compliance offices (RCO). Specifically, we found that RMA's national office was not fully utilizing the Compliance Activities and Results System's (CARS) capabilities to identify key performance indicators and generate reports to monitor and oversee compliance activities. We found that RCOs were not following procedures or performing effective secondary reviews. As a result, RMA is unable to effectively measure its performance to ensure the integrity of the Federal Crop Insurance Program. In addition, we determined that RMA needs to clarify guidance for determining "reasonable expectation" of receiving water when irrigating a crop. Without clear guidance, RMA will continue to pay millions of dollars for irrigated crop losses, even though there were no reasonable expectations of receiving water. Over \$21.6 million in indemnities was paid in crop year 2014 without RMA issuing clarifying guidance. RMA generally agreed with our recommendations.

**Department's Controls over Prioritizing and Funding Agricultural Research:** We found that three principal USDA agricultural agencies (ARS, NIFA, and FS) have their own agency-specific strategic planning and budget processes that provide for prioritization and funding of agricultural research in accordance with Congressional mandates and the Department's strategic goals and objectives. To assist in fulfilling her responsibilities, the Chief Scientist developed a Research, Education, and Economics Action Plan in 2012 to identify, prioritize, and coordinate Department-wide agricultural research needs. We commended the Chief Scientist for the creation of the action plan, as it provides a foundation for prioritizing research across USDA's agencies. However, the plan's effectiveness could be improved by establishing a system of internal controls surrounding its implementation and maintenance. Further, Office of the Chief Scientist (OCS) needs to implement a formalized structure for monitoring and tracking responsible agencies' significant research accomplishments in support of the plan's priority research areas. We attribute the lack of proper staffing as the primary reason for the absence of a system of controls within OCS. OCS agreed with our findings and recommendations.

### **Selected Examples of Recent Investigations:**

**Public Corruption – Conspiracy:** On February 9, 2010, an investigation was initiated based on a referral received from the New Mexico (NM) Human Services Department (HSD), Office of the Inspector General (OIG), Investigations Bureau, in Albuquerque, New Mexico. The referral alleged that an employee assigned to the Income Support Division (ISD) of the NM HSD had established fraudulent SNAP benefit cases from June 1 through December 31, 2009, for approximately 150 individuals who would have not qualified for SNAP benefits due to income or other financial resources. The investigation disclosed that the employee had several co-conspirators who assisted him with the scheme and also received cash payments from individuals that received fraudulent SNAP benefits. The total approximate amount of SNAP benefits paid out by the State of NM due to this scheme was estimated at \$230,000. In February 2016, in U.S. District Court, District of New Mexico, the Human Services Department employee was sentenced to 12 months in prison, 36 months' probation, and ordered to pay \$181,000 in restitution for his role in establishing fraudulent SNAP benefit cases. One of the employee's co-conspirators and at least five SNAP recipients have also been charged and sentenced.

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Public Corruption – Mail Fraud: This investigation determined that a Missouri Department of Social Services employee had illegally obtained and utilized SNAP benefits after program applicants and recipients reported that they no longer wished to apply for or receive them. When applicants reported they wanted to discontinue receiving SNAP benefits, the State employee changed the SNAP applicants' addresses to the Missouri Department of Social Services office where she worked. The Missouri office would then issue a new EBT card using the information she had entered. She converted the SNAP benefits for her personal use to purchase items from retail stores. Between 2009 and 2014, she illegally obtained and expended approximately \$52,000 in SNAP benefits. In June 2016, the former employee was sentenced in U.S. District Court, Eastern District of Missouri, to 4 months of home confinement, followed by 60 months of probation, and ordered to pay \$52,268 in restitution and a \$100 special assessment.

Public Corruption – Theft of Government Property: This investigation was initiated at the request of the U.S. Attorney's Office, Eastern District of Kentucky, which contacted OIG and advised that the Kentucky State Office of Inspector General reported an incident of alleged misconduct by two Kentucky Cabinet for Health and Family Services (CHFS) employees involving the food stamp program. The allegation claimed two employees working for CHFS created fictitious food stamp cases using the names of relatives, friends, and past food stamp recipients. Benefits were then directed to the two employees to be used for their personal gain. Both employees resigned shortly after discovering that there would be an investigation by the CHFS. The first CHFS employee pled guilty to a bill of information in the Eastern District of Kentucky. She was sentenced to 16 months in prison, and was ordered to pay \$271,410 in restitution and a \$100 special assessment fee. In April 2016, in U.S. District Court, Eastern District of Kentucky, an IRS employee who aided and abetted the distribution of false EBT cards resigned from his position and was sentenced to 60 months' probation, 6 months' home detention with electronic monitoring, 80 hours community service, and was ordered to pay \$24,791 in restitution, and a \$100 special assessment. Also in April 2016, a second CHFS employee was sentenced to 16 months in prison, 36 months of supervised release, and was ordered to pay \$271,410 in restitution.

Public Corruption – Conspiracy: OIG and the FBI conducted this joint investigation which found that from December 2009 through June 2012, the owner and operator of four day care centers in Philadelphia, one of her employees, and a Department of Education (DOE) employee defrauded the federal government out of approximately \$500,000 by falsifying documents related to the Child and Adult Care Food Program (CACFP). The daycare owner instructed employees to falsify attendance records to inflate the number of eligible students participating in the program. In addition, the DOE employee assisted the day care owner by creating false and fraudulent paperwork to make it appear that the day care center was in compliance with CACFP program requirements. In April 2016, in U.S. District Court, Eastern District of Pennsylvania, the DOE employee was sentenced to five years' probation, 6 months' home confinement, and ordered to pay \$45,608 in restitution and a \$200 special assessment. On May 5, 2016, the day care center employee was sentenced to 5 years' probation, 6 months' home confinement, and ordered to pay \$154,865 in restitution and a \$200 special assessment.

Public Corruption – Wire and Mail Fraud: The investigation, conducted jointly with the Virginia State Police and the Virginia OIG, found that in 2012 and 2013 a Summer Food Service Program (SFSP) sponsor applied to sponsor participation in the program, for 18 and 31 sites respectively, located in Eastern Virginia. She trained site administrators to keep daily tallies of the number of children they fed at each meal and told the site administrators to use pencils when writing the tallies. Without the knowledge of the site administrators, she and her co-conspirator/mother would alter the tally sheets, forge initials and signatures, and greatly exaggerate the number of children being fed at each site through the SFSP. In other cases, she submitted meal counts for sites that did not exist. In 2012 and 2013, the women requested and received approximately \$795,731 in reimbursements from the Virginia Department of Health (who administers the SFSP for USDA/FNS). They falsely claimed they served 49,496 breakfasts, 70,568 lunches, and 4,932 dinners to eligible children through their sponsoring organization. In July 2016, in U.S. District Court, Eastern District of Virginia, the SFSP sponsor was sentenced to 15 months in prison and 36 months' supervised release, and ordered to pay \$249,000 in restitution jointly and severally, and a \$100 special assessment. On June 29, 2016, in the same court, her mother was sentenced to 12 months and 1 day in prison, 36 months of supervised release, and ordered to pay \$249,000 in restitution jointly and severally, and a \$100 special assessment.

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Misuse of Government Computers Child Pornography: This investigation, conducted jointly with the FBI, was conducted to determine if a NRCS District Conservationist was in possession of child pornography. This case was initiated based upon a referral from NRCS requesting assistance in obtaining information and verification regarding a November 2010 arrest of the subject employee. The investigation disclosed that the employee had been arrested by the FBI on state child pornography charges. Following an agreement between the Tennessee District Attorney General's Office and the U.S. Attorney's Office, Middle District of Tennessee, the state child pornography charges against the subject were dismissed and he was indicted on two federal child pornography charges; he pleaded guilty to one count of possession of child pornography. In January 2016, in U.S. District Court, Middle District of Tennessee, a NRCS employee was sentenced to 33 months in prison, and was ordered to pay \$100 in special assessment fees and forfeit his personal computer and electronic access devices. Additionally, he was ordered to serve 10 years of supervised probation upon release and must comply with the sexual offender registry requirements for the state in which he will reside in, once he is released.

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Summary of Budget and Performance

The Office of Inspector General (OIG) was established October 12, 1978, 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.

The Department will be revising the USDA Strategic Plan later in the spring and expects to release it with the FY 2019 President’s Budget. Below are the Agency Strategic Goals and Objectives for OIG.

Key Performance Measures:

Percentage of OIG direct resources dedicated to critical-risk or high impact activities.							
	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target
Percent	97.7	96.6	95.3	96.7	97.5	96	96

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- Exceeded the agency expected compliance rates.
- OIG committed 97.5 percent of our direct resources to critical/high impact audits and investigations

Selected Accomplishments Expected at the FY 2018 Proposed Resource Level:

- Audits ensuring that USDA food safety and inspection programs effectively meet program objectives.
- Investigations focusing on matters that pose immediate threats to the well-being of the American consumer, livestock, and agriculture.
- 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 and IT security.

Percentage of audit recommendations where management decisions are achieved within 1 year.							
	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target
Percent	96.8	94.4	94.2	90.9	100	95	95

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- Exceeded the agency expected compliance rates.
- 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.

Selected Accomplishments Expected at the FY 2018 Proposed Resource Level:

- OIG challenges include conducting audits that focus on improved improper payments, financial management, oversight and accountability, IT security and management. USDA outreach efforts, food safety inspections, SNAP management controls and program performance and performance measures.

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- Our challenges are improving internal controls, identifying IT's ever changing and growing threats, and supporting Departmental efforts to improve intra-agency communication and to be transparent.

Mandatory, Congressional, Secretarial, and Agency (MCSA) requested audits initiated where the findings and recommendations are presented to the auditee within established or agreed-to timeframes (includes verbal commitments).							
	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target
Percent	91.9	100	100	100	100	95	95

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- Exceeded the agency expected compliance rates.
- Mandatory, Congressional, Secretarial, and agency requested audits where findings and recommendations were presented to the auditee within established or agreed-to timeframes.

Selected Accomplishments Expected at the FY 2018 Proposed Resource Level:

- Audits of nutrition, farm, and rural community programs to determine if entitlements and benefits are effectively directed based on eligibility.
- Mandated FY 2016/2017 financial statement audits of five USDA agencies and the Department as a whole.

Percentage of closed investigations that result in a referral for action to the Department of Justice, State or local law enforcement officials, or a relevant administrative authority.							
	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target
Percent	88.8	86	87.9	88.9	91.5	85	85

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- A total of 91.5 percent of OIG's closed investigations resulted in a referral for action to the Department of Justice, State or local law enforcement officials, or a relevant administrative authority, compared to OIG's target of 75 percent.

Selected Accomplishments Expected at the FY 2018 Proposed Resource Level:

- Significant investigations based on attempts to defraud USDA programs, including the Supplemental Nutrition Assistance Program.
- OIG will continue to complete OIG investigations, agents' accomplishments lead to indictments, convictions, arrest, total dollar impact (recoveries, restitutions, fines, asset forfeiture), and administrative sanctions.
- OIG will also accept and handle hotline complaints, some of which lead to investigations or audits, and some of which are referred to USDA agencies for inquiry or action as they deem necessary.

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Percentage of closed investigations that result in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.							
	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target
Percent	71.2	79.7	81.5	82.3	78.6	80	80

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- A total 78.6 percent of OIG’s closed investigations resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result, compared to OIG’s target of 70 percent.
- In tracking the outcomes of OIG investigations, agents’ accomplishments lead to indictments, convictions, arrests, total dollar impact (recoveries, restitutions, fines, asset forfeiture), and administrative sanctions. OIG also accepts and handles hotline complaints, some of which lead to criminal investigations or audits, and some of which are referred to USDA agencies for inquiry or action that they deem necessary.

Selected Accomplishments Expected at the FY 2018 Proposed Resource Level:

- OIG will work to improve and restore integrity in various USDA benefit and entitlement programs, a future challenge is to help USDA prevent and deter instances of illegal or fraudulent acts.
- OIG will continue to demonstrate considerable law enforcement actions, recommend significant programmatic improvements, and demonstrated considerable dollar returns for the funding provided for the office.