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OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

Second Half
April 1, 2014-September 30, 2014

Fiscal Year 2014
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KEY OIG ACCOMPLISHMENTS IN THIS REPORTING PERIOD—April-September 2014

SUMMARY OF AUDIT ACTIVITIES

Reports Issued	
Number of Final Reports	19
Number of Interim Reports	1
Number of Final Report Recommendations (125 program improvements/27 monetary)	152
Number of Interim Report Recommendations (1 program improvement/1 monetary)	2
Total Dollar Impact of Reports at Issuance (Millions)	$221.3
Questioned/Unsupported Costs	$190.1
Funds To Be Put To Better Use	$31.2
Management Decisions Reached	
Number of Reports	20
Number of Recommendations* (151 program improvements/31 monetary)	182

SUMMARY OF INVESTIGATIVE ACTIVITIES

Reports Issued	156
Impact of Investigations	
Indictments	534
Convictions	339
Arrests	727
Total Dollar Impact (Millions)	$142.8
Administrative Sanctions	169

OIG MAJOR USDA MANAGEMENT CHALLENGES (August 2014)

(1) Interagency Communication, Coordination, and Program Integration Need Improvement
Related material can be found on page 5.
(2) USDA Needs to Create Strong, Integrated Internal Control Systems Across Programs
Related material can be found on pages 1, 5, 6, 7, 8, 17, 18 and 19.
(3) Information Technology Security Needs Continuing Improvement
Related material can be found on page 19.
(4) Departmental Outreach Efforts Need to be More Transparent
No work reported during this period.
(5) A Proactive, Integrated Strategy Is Necessary to Increase Agricultural Commerce and Trade
No work reported during this period.
(6) Action Needed to Improve Natural Resources Stewardship
Related material can be found on pages 7 and 20.
(7) Food Safety Inspection Systems Need Improved Controls
No work reported during this period.
(8) Identifying, Reporting, and Reducing Improper Payments Can Strengthen USDA Programs
Related material can be found on page 19 and 20.
(9) USDA Needs to Increase Efforts for Appropriately Training and Preparing Human Resources
No work reported during this period.
(10) FNS Needs to Strengthen SNAP Management Controls
No work reported during this period.
(11) USDA Needs to Develop Effective Performance Measures for its Programs**
Related material can be found on pages 1, 5, and 7.

*Please refer to examples of program improvement recommendations cited on the inside back cover.
**New this year.

Message from the Inspector General

This Semiannual Report to Congress (SARC) covers the 6-month period ending September 30, 2014, and summarizes the most significant accomplishments of the U.S. Department of Agriculture's (USDA) Office of Inspector General (OIG). During this period, our office has worked extensively with the Department, Congress, and other Federal agencies to safeguard the integrity and efficiency of USDA programs and investigate those who allegedly abuse them.

Among our recent accomplishments, we have successfully conducted investigations leading to 727 arrests, 339 convictions, and $142.8 million in recoveries and restitutions. Our audits have resulted in 125 program improvement recommendations, and $221.3 million in financial recommendations. Our activities are described according to our strategic goals, as outlined in the OIG Strategic Plan for fiscal years (FY) 2013-2018. Highlights of such activities are as follows:

Goal 1—Safety, Security, and Public Health—An OIG investigation into allegations that a meat processing plant in California was processing diseased cattle for human consumption resulted in the former owner of the plant pleading guilty to one count of violating the Federal Meat Inspection Act. A second former owner and two former employees of the plant were charged with multiple criminal violations, including distribution of adulterated, misbranded, and uninspected meat; aiding and abetting; mail fraud; and criminal forfeiture. We also found that the Animal and Plant Health Inspection Service's (APHIS) Plant Protection and Quarantine (PPQ) program did not have sufficient management controls to protect U.S. agriculture from foreign pests and diseases, and that APHIS managers did not read reports from the inspectors they oversee, despite the fact that these reports included violations.

Goal 2—Integrity of Benefits—As part of our efforts to ensure that benefits are reaching those for whom they are intended, we conducted numerous audits and investigations designed to ensure that recipients are eligible and that payments are calculated correctly. Our review of how the Risk Management Agency (RMA) administers its crop insurance program for hay found that the agency insured non-irrigated hay producers at the same level as irrigated hay producers, even though irrigated land is capable of producing much more hay. This resulted in producers receiving indemnities as high as $335 per acre for land that had the potential of only producing about $27 worth of hay per acre. We concluded that the seven producers we reviewed received over $8.2 million in indemnity payments for non-irrigated forage acres, based on average yields that they could not feasibly produce.

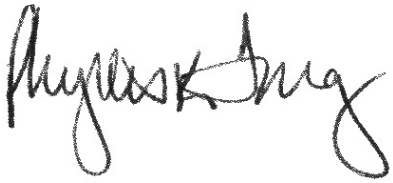
Our recent review of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) found that the Food and Nutrition Service's (FNS) current strategy for monitoring State agencies' food costs does not ensure Federal resources are being used efficiently in the WIC program. We identified almost $19.8 million in savings that could be realized by implementing recommended improvements to FNS' management evaluations, the agency's main oversight tool for the WIC program.

Roughly 58 percent of OIG's investigative resources are dedicated to preventing fraud in the Supplemental Nutrition Assistance Program (SNAP), including trafficking of SNAP benefits—the illegal exchange of benefits for cash. In this reporting period, SNAP investigations have led to 271 convictions and $44.9 million in recoveries and restitutions. For example, an OIG investigation led to the conviction of an employee of a retailer in Camden, New Jersey, who exchanged SNAP benefits for cash. That employee was sentenced to 37 months' imprisonment and ordered to pay $2.8 million in restitution.

Goal 3—Oversight to Achieve Results-Oriented Performance—OIG reviewed USDA's multi-year contract with AT&T to provide the Universal Telecommunications Network (UTN)—the data network backbone for its customers and agencies—and found that USDA is not adequately overseeing UTN

security and performance. AT&T had not yet installed required network security features and in addition had both overbilled and underbilled USDA. AT&T remitted to USDA an aggregate total of more than $1.9 million as a result of this audit. When necessary, OIG also investigates USDA employees accused of wrongdoing. In this period, as a result of one such case, a former Forest Service (FS) employee who stole FS fleet cards and used the stolen credit cards to purchase personal items, including multiple Apple iPads and iPad accessories, was sentenced in San Bernardino, California, Superior Court to 16 months in prison and fined $300.

These accomplishments are the result of the dedicated work of OIG's professional staff and their commitment to ensuring the efficiency and effectiveness of USDA programs. Our success is also due, in large part, to the continued support of USDA Secretary Thomas J. Vilsack and Deputy Secretary Krysta Harden, as well as interested Committees and Members of the Congress.



Phyllis K. Fong
Inspector General

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Safety, Security, and Public Health

OIG Strategic Goal 1

Strengthen USDA's ability to implement and improve safety and security measures to protect the public health as well as agricultural and Departmental resources

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

In the second half of FY 2014, we devoted 12.1 percent of our total direct resources to Goal 1, with 100 percent of these resources under Goal 1 assigned to critical-risk and high-impact work. A total of 80 percent of our investigative cases under Goal 1 resulted in criminal, civil, or administrative action. OIG's investigations under Goal 1 yielded 35 indictments, 32 convictions, and approximately $400,000 in monetary results during this reporting period. OIG issued one audit report under Goal 1 during this reporting period. We also have significant ongoing work related to food safety (see page 4 for a list of ongoing reviews).

Management Challenges Addressed Under Goal 1

- USDA Needs to Develop Effective Performance Measures for its Programs

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 1

The Animal and Plant Health Inspection Service Needs to Improve Controls over the Preclearance Offshore Program

Although OIG did not identify any specific instances where harmful pests entered the United States, we concluded that APHIS' Plant Protection and Quarantine (PPQ) program did not have sufficient management controls to ensure that the Preclearance Offshore Program (Preclearance Program) was able to effectively protect U.S. agriculture from foreign pests and diseases. Specifically, PPQ officials did not implement management controls, such as performance measures, to assess the effectiveness of the program, identify or analyze risks after accepting countries into the program, and create an internal control structure to facilitate adequate supervision and documentation of program reviews. This occurred because PPQ did not define clear reporting requirements, roles, and processes when the Preclearance Program came under PPQ's control in FY 2011. The lack of oversight from the top levels of the agency has affected all aspects of the Preclearance Program's administration. We found that Preclearance Program managers did not read reports from the inspectors they oversee, despite the fact that these reports indicated work plan violations. We also found that all 12 of the work plans we reviewed did not have criteria showing consequences for repeated noncompliance, and 58 percent of the plans we reviewed did not include an effective sampling methodology. Also, PPQ did not have a formal training program in place. These issues could potentially put the United States at risk for the introduction of foreign pests and diseases. APHIS officials stated that they are developing policies and procedures to address these issues and to ensure consistency and transparency in program processes, and OIG has accepted management decision on 14 of 16 recommendations. (Audit Report 33601-0001-23, *Plant Protection and Quarantine Preclearance Offshore Program*)

One Individual Pleads Guilty, Several Other Individuals Charged for Violations at California Meat Processing Plant

A meat processing plant in California was processing diseased cattle for human consumption and circumventing FSIS regulatory inspections. As a result of our investigation, in August 2014, in U.S. District Court, Northern District of California, a former owner of the plant pled guilty to one count of violating the Federal Meat Inspection Act by aiding and abetting the distribution of adulterated, misbranded, and uninspected meat. Also in August 2014, in the same court, a second former owner and two former employees of the plant were charged with multiple criminal

violations, including conspiracy to distribute adulterated, misbranded, and uninspected meat; distribution of adulterated, misbranded, and uninspected meat; aiding and abetting; conspiracy to commit mail fraud; mail fraud; and criminal forfeiture.

The charging documents noted that one of the plant's owners indicated to the plant foreman which condemned cattle should be processed and, based on this information, the foreman in turn directed kill floor employees to carve "USDA Condemned" stamps out of the cattle carcasses and to process the carcasses for transport, sale, and distribution. In addition, the same owner instructed the foreman and yardman to circumvent inspection procedures for certain cows with "cancer eye," an illness that results in unsightly tumors on cows' eyes and eyelids. Acting on these instructions, the yardman swapped uninspected cows with cancer eye for cattle that had already passed ante mortem inspection and were awaiting slaughter. The foreman, or another kill floor employee at his instruction, placed the heads from apparently healthy cows, which had been previously reserved, next to the cows with cancer eye. This switch and slaughter of uninspected cows with cancer eye occurred during the inspector's lunch breaks, a time during which plant operations were supposed to cease. Inspectors were unaware that the carcasses they were inspecting belonged to cows with cancer eye that had escaped ante mortem inspection.

FSIS Office of Investigation, Enforcement and Audit-Compliance and Investigation Division, investigators have assisted in the investigation. Further action is pending. The meat plant is now operating under new ownership.

Long Island Company and Its Owner Plead Guilty to Selling Phony Heat-Treated Wood Pallets

The International Plant Protection Convention requires that wood pallets and all solid wood packing material be heat-treated to prevent pests from spreading via international commerce, but our investigation found that a Long Island company sold pallets bearing false stamps or stencils certifying its pallets as treated, when they were not. Our investigators learned that the subject company is not, and has never been, an authorized heat treatment facility, and documents collected during the investigation revealed that the company did not purchase enough heat-treated pallets to meet its sales numbers. During the investigation, the owner/president relinquished the fraudulent stamps that were being used in conjunction with spray paint to fraudulently mark the pallets as heat-treated. In April 2014, the president/owner pled guilty to a criminal information filed in U.S. District Court, Eastern District of New York, charging him with violating the Plant Protection Act and the corporation with making false statements. A sentencing date is pending.

GOVERNMENTWIDE ACTIVITIES—GOAL 1

Participation on Committees, Working Groups, and Task Forces

- *The Federal Bureau of Investigation's (FBI) National and Local Joint Terrorism Task Forces*. One OIG special agent is assigned full time to the national task force, and other special agents work with local task forces. While the national task force special agent attends threat briefings and provides terrorist intelligence products to OIG and other USDA agencies and offices, local task forces work on matters that involve both the investigation of criminal activity and intelligence-gathering concerning individuals or entities that may have connections to terrorist activity or may provide support for terrorist activity. Recent services provided by the OIG agent assigned to the national task force have included providing assistance to investigators and coordinating with the FBI's Counterterrorism Division on a joint SNAP/State benefits fraud case; providing support to an OIG field office regarding threats made to Farm Service Agency employees by a self-proclaimed sovereign citizen; and providing background name checks for USDA's Office of Homeland Security on USDA contractors, exchange scientists, and researchers. Overall, OIG's participation provides an excellent conduit for sharing critical law enforcement intelligence and has broadened FBI's and other law enforcement agencies' knowledge of how to conduct criminal investigations connected to food and agriculture.

- *FBI's Joint Interagency Agroterrorism Working Group*. OIG continues to participate in this working group, which develops protocols and procedures for FBI, other USDA agencies, and OIG to coordinate their response to agroterrorism.

- *U.S. Marshals Service Fugitive Task Forces*. OIG agents in Michigan, Minnesota, Mississippi, New Jersey, New York, North Dakota, and Ohio participate on these task forces, which were established under the Presidential Threat Protection Act of 2000. Their purpose is to locate and apprehend the most dangerous fugitives and assist in high-profile investigations. In addition to providing assistance in locating fugitives, task forces can provide help in serving warrants.

- *Arrowhead Counter-Terrorism Task Force*. OIG participates in a group of regional law enforcement and emergency response providers, led by the FBI field office in Duluth, Minnesota, which meets monthly for training sessions and to share information on various terrorist organizations, as well as related topics such as crisis response scenarios.

- *Anti-Terrorism Advisory Councils*. OIG participates on Anti-Terrorism Advisory Councils in many judicial districts throughout the country. These councils are umbrella organizations including local, State, and Federal agencies and private-sector security representatives that work with the U.S. Attorney's Offices for their geographic areas to disrupt, prevent, and prosecute terrorism through intelligence-sharing, training, strategic planning, policy review, and problem solving.

- *San Bernardino County Rural Crimes Task Force and San Bernardino Animal Cruelty Task Force*. OIG is one of several law enforcement agencies participating on task forces to combat crimes in rural areas in southeastern California, with a special focus on animal-fighting investigations.

ONGOING REVIEWS FOR GOAL 1

- implementation of the Public Health Information System for Domestic Inspection (FSIS),
- ground turkey inspection and safety protocols (FSIS),
- controls over introduction of genetically engineered organisms (APHIS),
- Wildlife Services—wildlife damage management (APHIS),
- procurement and inspection of fruits and vegetables (Agricultural Marketing Service (AMS)),
- adequacy of controls to prevent the release of sensitive technology (Agricultural Research Service (ARS)),
- oversight of research facilities (APHIS),
- followup on 2007 and 2008 audit recommendations (FSIS), and
- USDA's response to antibiotic resistance (ARS, FSIS, APHIS).

Integrity of Benefits

OIG Strategic Goal 2

Reduce program vulnerabilities and strengthen program integrity in the delivery of program assistance

OIG conducts audits and investigations to ensure or restore integrity in various USDA benefit and entitlement programs, including a variety of programs that provide payments directly and indirectly to individuals or entities. Some of the programs are among the largest in Government: SNAP alone accounts for approximately $82 billion in FY 2014 benefits, or approximately 54 percent of USDA's budget, while over $17 billion is spent on USDA farm programs, the second largest category after nutrition assistance. Intended beneficiaries of these programs include the working poor, hurricane and other disaster victims, and schoolchildren, as well as farmers and other rural residents. These programs support nutrition, farm production, and rural development.

In the second half of FY 2014, we devoted 47.9 percent of our total direct resources to Goal 2, with 91.4 percent of these resources under Goal 2 assigned to critical/high-impact work. A total of 100 percent of our audit recommendations under Goal 2 resulted in management decision within 1 year, and 83.1 percent of our investigative cases resulted in criminal, civil, or administrative action. OIG issued eight audit reports and one interim report under Goal 2 during this reporting period. Two of these reports were Recovery Act-related. OIG's investigations under Goal 2 yielded 495 indictments, 301 convictions, and $142.2 million in monetary results during this reporting period.

Management Challenges Addressed Under Goal 2

- Interagency Communication, Coordination, and Program Integration Need Improvement
- USDA Needs to Create Strong, Integrated Internal Control Systems Across Programs
- Action Needed to Improve Natural Resources Stewardship
- USDA Needs to Develop Effective Performance Measures for its Programs

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 2

The Farm Service Agency Needs to Improve the Accuracy of Carrying Capacities for the Noninsured Crop Disaster Assistance Program

Our review of the Noninsured Crop Disaster Assistance Program did not identify any reportable issues with regard to the Farm Service Agency's (FSA) management controls over eligibility of producers and crops, accuracy of loss guarantees and payments, and limitations on payments and income. However, FSA has not significantly updated carrying capacities and needs to ensure grazing loss percentages are consistently determined. We found that, although FSA requires State committees to establish county carrying capacities, many of the State offices relied on carrying capacities that were established more than 20 years ago, and adequate documentation was not provided to clearly identify or define what factors were considered when those determinations were made. OIG also found that FSA needs to develop a uniform framework that independent assessors should consider when making determinations for grazing loss levels. Assessors may use many different methods and consider various factors when making a determination for grazing loss, and the lack of uniformity can cause significant variances in the loss levels established for neighboring counties and States.

We recommended that FSA develop guidelines and examples for State offices to use when evaluating and updating carrying capacities for review and approval by State committees; publish minimum factors for States to consider in determining grazing loss percentages; and develop procedures for State offices to communicate with bordering States to ensure consistency. The agency generally agreed. (Audit Report 03702-0001-31, *Farm Service Agency Noninsured Crop Disaster Assistance Program*)

FNS Needs to Improve Oversight of the Special Supplemental Nutrition Program for Women, Infants, and Children

FNS' current strategy for monitoring State agencies' food costs does not ensure Federal resources are being

used efficiently in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Although FNS reports through the Office of Management and Budget's A-133 Compliance Supplement that management evaluations are WIC's main oversight tool, we found that the management evaluations have several weaknesses. For example, we found that the evaluations did not always identify significant issues that may impact a State agency's food costs, and when FNS did identify deficiencies at State agencies, it did not always ensure that those agencies took appropriate and timely corrective actions. Finally, although FNS is aware of policies that various State agencies have implemented to reduce their food costs, it has not evaluated those policies for program-wide implementation. Not evaluating these policies and their cost-saving implications has led to missed cost-saving opportunities. By strengthening its strategy for monitoring food costs and considering program-wide implementation of proven cost-containment measures, FNS could provide benefits to more participants and help further the program's mission. FNS generally agreed with our recommendations to improve WIC oversight. (Audit Report 27004-0001-22, *State Agencies' Food Costs for the Food and Nutrition Service's Special Supplemental Nutrition Program for Women, Infants, and Children*)

RMA Needs to Improve the Pasture, Rangeland, and Forage Program in States Like Colorado and New Mexico

RMA administers the Federal crop insurance program and helps insure producers against crop failures due to crop diseases, hurricanes, and other risks. Beginning in crop year 2007, RMA offered a rainfall and vegetative index plan of insurance for pasture, rangeland, and forage (PRF) as a pilot program that provides insurance protection for forage produced for grazing or harvested for hay. OIG found that, in Colorado and New Mexico, RMA insures non-irrigated hay producers at the same level as irrigated hay producers, even though irrigated land is capable of producing much more hay. When RMA and its contractor designed PRF, they used a State-wide average yield that combined non-irrigated and irrigated hay yields without considering the substantial differences between such land. As a result, non-irrigated producers received indemnities substantially in excess of the value of their lost hay production.

For example, our initial sample of seven producers received over $8.2 million in indemnity payments for non-irrigated forage acres, based on average yields that they could not feasibly produce. In one case, a producer insured land that has the potential to produce about $27.54 worth of hay per acre, but he was indemnified $335.79 per acre. USDA will continue to pay indemnities at such excessive rates until RMA takes steps to correct this program. We issued an interim report so that RMA could correct this problem before the offering of PRF coverage for crop year 2015. Based on its response, RMA generally agreed with our finding; however, further action from the agency is needed before management decision can be reached for the two recommendations. (Audit Report 05601-0003-31(1), *Rainfall and Vegetation Index Pilot Program—Pasture, Rangeland, Forage—Interim Report*)

Rural Housing Service Should Improve How It Administers Subsidy Recapture Within the Single Family Housing Program

OIG reviewed how the Rural Housing Service's Single Family Housing Program (SFH) administers direct loans to determine if the Centralized Servicing Center (CSC) performs yearly reviews of borrower income, if the borrower is eligible for payment subsidy, and if the payment subsidy is accurately calculated and repaid. Although eligible SFH direct loan program borrowers can receive payment subsidies, regulations require that they repay a portion of that subsidy, which is referred to as recapture.

OIG determined that CSC performed reviews of borrower income and generally made accurate payment subsidy eligibility and recapture determinations. However, we identified issues with how CSC was servicing accounts, especially in relation to recapture of the payment subsidy. We found CSC inaccurately calculated the final recapture receivables for 13 of the 100 borrower accounts in our recapture sample. Based on statistical projections, we estimate that 8,103 borrower recapture receivable accounts may not have been accurately established, with a total value of $33 million. Also, CSC lacked formal procedures to actively monitor borrower occupancy and did not always establish final payment subsidy recapture receivables in a timely manner. Additionally, our review of the payment subsidy renewal process found that, for 7 of the 100 borrower accounts, CSC inaccurately calculated the borrowers' payment subsidy. We estimate that the payment subsidy for 7,784 borrower accounts—with a projected total value of $4.9 million over the term of the payment subsidy agreement—may also be inaccurately calculated. Lastly, we found evidence that unreported household members may have been residing in the Rural Development-financed properties.

OIG recommended that CSC strengthen its oversight controls and correct its subsidy calculations, as well as recover overpayments to borrowers. The agency generally concurred with our recommendations. (Audit Report 04601-0001-31, *Rural Development Single Family Housing Direct Loan Servicing and Payment Subsidy Recapture*)

Natural Resources Conservation Service Must Ensure that Environmental Quality Incentives Program Contracts Are Achieving Intended Environmental Benefits

For FYs 2009 through 2011, the Natural Resources Conservation Service's (NRCS) Environmental Quality Incentives Program (EQIP) was that agency's largest program, receiving nearly $3.5 billion in appropriations. We found that NRCS' controls over the program need to be strengthened so that the program can assist participants in addressing environmental concerns.

Specifically, we found that, while the agency's allocation method adequately considered environmental concerns at the national level, the State-level allocation processes did not. Of the six State offices we reviewed, three based their allocations on data such as number of acres, prior year obligations, or geographic location, but not environmental outcomes. Second, we found that State offices did not make onsite visits for 139 out of 424 practices to ensure they were completed by the participant, as required by contract. Instead, States allowed contractors and participants to self-certify. Third, we found that, of the 16 participants with projects that were significantly behind schedule, NRCS did not take action to identify 11 as noncompliant with their contracts. Finally, NRCS did not require followup visits to ensure practices were in working order for their intended lifespan, which resulted in several practices not being maintained. Without effective monitoring controls to address these issues, these conservation practices may not be resulting in the intended environmental benefits.

OIG recommended that NRCS implement controls and perform an analysis to ensure State allocation formulas are tied to environmental concerns. Also, NRCS should implement controls to ensure participants who do not meet contractual timelines are identified as noncompliant. The agency generally agreed with our recommendations. (Audit Report 10601-0001-31, *Natural Resources Conservation Service Environmental Quality Incentives Program*)

FSA Needs to Focus Compliance Reviews on Areas of the Greatest Risk

FSA has had to make choices regarding which compliance-related activities it will perform and which it will curtail, as the agency has experienced significant reductions in its salaries and expense budget—from $1.57 billion in FY 2010 to approximately $1.4 billion in FY 2013. FSA continues to perform a number of compliance reviews, such as National Compliance Reviews, Improper Payment Information Act Reviews, County Operations Reviews, Farm Loan Program Risk Assessments, Adjusted Gross Income compliance reviews, and end-of-year reviews. However, OIG maintains that FSA would benefit from developing an integrated compliance strategy to ensure that its limited resources are focused on areas posing the most significant risk of noncompliance. FSA officials have explained that they have not developed such a strategy because "significant amounts of time and money can be spent designing and implementing an integrated strategy."

We maintain that developing an integrated compliance strategy should help the agency efficiently focus its limited resources on areas of the highest risk and ensure that FSA programs operate as intended, with a minimum risk of fraud, waste, and abuse. We found that FSA's various reviews could be better designed to serve their intended purposes and help identify trends of noncompliance, directing limited resources to known problem areas, and improving the integrity of FSA's programs. As part of its compliance activities for the Farm Loan Program Risk Assessments, FSA performs inspections of chattel security and year-end analyses, but it could not ensure that all the required reviews were completed. While FSA believes that these reviews are a relatively smaller portion of FSA's compliance activities, we believe that the completion of these reviews is essential to the success and integrity of FSA's loan portfolio of $8.3 billion. Based on FSA's response to the report, we accepted management decision on six of the nine recommendations. (Audit Report 03601-0001-22, *Farm Service Agency Compliance Activities*)

FSA Needs to Ensure that its Economic Adjustment Assistance to Users of Upland Cotton Program is Functioning as Intended

FSA's Economic Adjustment Assistance to Users of Upland Cotton Program (EAAP) assists domestic users of upland cotton, such as textile mills, in order to maintain a globally competitive U.S. textile industry. OIG found that FSA, when implementing the program, did not put effective management controls in place to ensure EAAP is fulfilling its purpose. Specifically, we found that FSA has not (1) established a purpose for EAAP consistent with its regulations, (2) conducted a program evaluation, or (3) established performance measures to determine the impact of payments to domestic users of upland cotton.

Even though the agency anticipated that EAAP payments would limit market losses, plant closures, and job losses, FSA has not developed a way to measure this impact. We also found that management controls were insufficient to prevent one upland cotton user from transferring $1.5 million of $12.1 million in payments to another user. The user, who received $12.1 million, sold its cotton spinning operations to another EAAP user and

used $10.6 million in EAAP payments to buy equipment to be installed at another plant. Altogether, we questioned 75 expenditures, totaling over $2.4 million. This occurred because FSA has not implemented effective internal controls to determine which capital expenditures are eligible uses of EAAP funds. Without necessary controls in place, FSA cannot ensure that EAAP properly achieves its intended purpose—to stimulate investments that make the U.S. textile industry more competitive. FSA generally agreed with our recommendations. (Audit Report 03601-0002-22, *Economic Adjustment Assistance to Users of Upland Cotton*)

Minnesota Farmer Ordered to Pay Restitution for Illegally Selling Cattle That Secured FSA Loans

A Minnesota farmer provided false information to FSA in order to receive loans totaling $221,524. After receiving the loans, he illegally sold the cattle that secured the loans. In U.S. District Court, District of Minnesota, he pled guilty to conversion of mortgaged property, received 36 months of probation, and, in May 2014, was ordered to pay restitution totaling $164,081.

New Mexico Man Sentenced for Conversion of Mortgaged Property

In May 2014, in U.S. District Court, Northern District of Texas, a New Mexico man was sentenced to 5 months' imprisonment, 5 months' home confinement, and 36 months' probation. He was also ordered to pay $138,329 in restitution and a $100 special assessment. Our investigation determined that, between October 2009 and September 2012, the man sold FSA-mortgaged livestock valued at more than $200,000, without obtaining FSA's consent and without remitting the proceeds to FSA. He sold approximately 528 head of cattle and approximately 340 head of other livestock, including hogs, sheep, and horses. The man also deposited a crop insurance check without FSA's consent and did not remit the proceeds to the agency.

City Employee Fraudulently Receives Housing Subsidies from Rural Development (RD)

In July 2014, in U.S. District Court, Eastern District of Arkansas, an employee of a small city in Arkansas was sentenced to 36 months of supervised release and ordered to pay $44,532 in restitution. From 2001 through 2012, the city employee underreported her income on 12 Rural Rental Housing tenant certifications that were submitted to RD, which enabled her to receive housing subsidies to which she was not entitled.

California Man Sentenced to 24 Months' Probation and Agrees to Return House Title to RD

In April 2014, a recipient of RD Self-Help Housing assistance pled no contest in Superior Court of California, County of Merced, to false pretenses and was sentenced to 24 months' probation and fined $422. A restitution hearing will be held later. The man defrauded the agency by providing false information regarding his household and household income in order to qualify for a new home under this program. As part of his sentence, he agreed to sign over the title of the residence. In August 2013, the man was charged with one count of false pretenses, one count of conspiracy to defraud another of property, and two counts of perjury by declaration.

Director of Non-Profit Organization Sentenced for Theft of Public Property

In June 2014, in U.S. District Court, District of Montana, the executive director of a non-profit organization pled guilty to theft of public property and was sentenced to 24 months' probation and ordered to pay $33,000 in restitution. She also was prohibited from direct participation in or control of any federally funded program, and any indirect participation without permission of the U.S. Probation Office. Our investigation determined that she misappropriated funds from a Rural Housing Service self-help technical assistance grant issued to the non-profit organization to help borrowers obtain homes. The executive director paid herself more than $30,000 for consulting services even though she was a full-time employee. She also charged every homeowner $750 for a technical assistance warranty that did not exist and a $1,000 fee for leasing tools that were already provided by the grant. She was charged in January 2014 with multiple violations, including theft from an organization receiving Federal funding, false statements, false claims, and wire fraud.

SNAP RETAILER INVESTIGATIONS

A significant portion of OIG's investigative resources are dedicated to ensuring the integrity of SNAP by combating the practice of exchanging benefits for cash. Working closely with FNS and other agencies, as well as independently, OIG has concluded the following SNAP trafficking-related investigations and prosecutions in the second half of FY 2014:

- *Two Store Operators Sentenced for SNAP Trafficking in Baltimore, Maryland*. Two Baltimore, Maryland, retail store operators were charged in U.S. District Court, District of Maryland, with food stamp fraud and wire fraud as a result of a scheme to illegally redeem more than $2 million in SNAP electronic benefit transfer (EBT) benefits which were obtained in exchange for cash. Both operators entered guilty pleas and were each sentenced to 24 months in prison, 36 months of supervised release, and ordered to pay $1.2 million in forfeiture and restitution. This investigation was conducted jointly with FBI.

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

- *Connecticut Store Owner Convicted of SNAP Trafficking*. Information was received from the Connecticut Chief State's Attorney's Office regarding SNAP trafficking at a store in Meriden, Connecticut. During the course of the investigation, the owner and an employee of the store exchanged SNAP benefits for ineligible items and U.S. currency. In August 2012, the owner and the employee were arrested and charged with SNAP trafficking. In April 2013, the owner pled guilty and was sentenced in April 2014 to 24 months' probation and ordered to pay $820,334 in restitution. In April 2013, the employee was found guilty and in January 2014 was sentenced to 27 months' imprisonment and ordered to pay $820,334 in restitution, jointly and severally. This investigation was conducted jointly with Immigration and Customs Enforcement-Homeland Security Investigations and the Internal Revenue Service, Criminal Investigation (IRS-CI).

- *South Florida Individual Pleads Guilty and Sentenced for SNAP Fraud*. A SNAP investigation determined that an owner of a small produce store located in a south Florida flea market trafficked in SNAP benefits. Following a search warrant, the subject of the investigation was arrested and subsequently indicted. He pled guilty to food stamp fraud and wire fraud in April 2014. In July 2014, he was sentenced in U.S. District Court, Southern District of Florida, to serve 33 months in prison, followed by 36 months of supervised release, and ordered to pay $2.5 million in restitution.

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

- *Cleveland Store Owners/Brothers and Employee Convicted of Engaging in Over $2 Million in SNAP and WIC Fraud*. Our investigation disclosed that two brothers, both of whom were banned from participating in the SNAP program, owned four SNAP-approved grocery stores in the Cleveland area by using "straw owners," and that the brothers, along with their primary manager, engaged in over $2 million of SNAP fraud from 2008 through 2012. In July 2014, the brothers were each sentenced to 54 months in prison and were ordered to pay $200,000 in restitution. Their manager was sentenced to 10 months' home detention, 36 months' supervised release, and was ordered to pay $11,798 in restitution.

- *Former Detroit Convenience Store Owner Sentenced to 6 Years in Prison after Being a Fugitive for More than a Decade*. In June 2014, the former owner of a Detroit convenience store was sentenced in U.S. District Court, Eastern District of Michigan, to 72 months' incarceration for his role in a food stamp and narcotics trafficking ring in the 1990s. This joint investigation, conducted with the Drug Enforcement Administration,

resulted in the dismantling of a long-standing drug trafficking organization and the Federal conviction of 15 individuals. The investigation determined that the store owner laundered drug proceeds through the business bank account, while also purchasing food stamp benefits for cash. He was indicted on food stamp fraud and drug distribution charges in April 1997 and pled guilty in January 1999. However, prior to sentencing in April 1999, the former store owner fled to Mexico, where he resided as a fugitive until being apprehended in October 2012.

- *Detroit Grocery Store Manager Under Investigation for SNAP Fraud Sentenced to 7 Years for Firearms/ Ammunition Violations*. In July 2014, the manager of a Detroit grocery store was sentenced in U.S. District Court, Eastern District of Michigan, to 87 months' imprisonment, followed by 24 months of supervised release, after he was convicted of being a felon in possession of firearms and ammunition. When Federal search warrants were served during the course of an underlying SNAP trafficking investigation, the manager, who was a convicted felon, was found to be illegally in possession of several firearms and ammunition. Investigation and prosecution of the SNAP trafficking conspiracy continues.

- *North Texas Convenience Store Owner and Clerk Ordered to Pay Almost $2 Million for SNAP Trafficking*. In July 2014, in U.S. District Court, Northern District of Texas, the owner and an employee of a Dallas convenience store were sentenced to 60 months and 27 months in Federal prison, respectively. Both individuals were also sentenced to supervised release for 36 months following the completion of their sentences. Deportation proceedings will follow the completion of the owner's incarceration. Both individuals were ordered to pay restitution of nearly $2 million, jointly and severally. Between August 2011 and June 2013, SNAP benefits were exchanged for cash, alcohol, and tobacco products at the store on a number of occasions. Between April 2010 and August 2013, the store redeemed approximately $2.4 million in SNAP benefits. This case was worked jointly with the Texas Health and Human Services Commission-Office of Inspector General, the Texas Alcoholic Beverage Commission, and FBI.

- *Louisiana Convenience Store Owners Sentenced in $1.6 Million SNAP Fraud*. In May 2014, in U.S. District Court, Eastern District of Louisiana, a husband and wife who owned a Louisiana convenience store were sentenced for defrauding FNS. The husband was sentenced to 33 months in Federal prison and 36 months of supervised release. For her role in the SNAP fraud scheme, the wife received a sentence of 8 months of home confinement and 48 months of supervised release. Both defendants were ordered to pay $1.6 million in restitution, jointly and severally. Between April 2010 and August 2011, the owners exchanged SNAP benefits for cash and ineligible food items. This investigation was conducted jointly with the Louisiana Department of Children and Family Services.

- *Louisiana Store Owner Sentenced in $2.3 Million SNAP Fraud*. In April 2014, in U.S. District Court, Eastern District of Louisiana, the owner of a small grocery store was sentenced to 34 months in Federal prison, 24 months of supervised release, and was ordered to pay approximately $2.3 million in restitution. From October 2009 to January 2012, the owner purchased SNAP benefits for cash and ineligible items. This investigation was conducted jointly with the Louisiana Department of Children and Family Services.

OTHER SNAP FRAUD INVESTIGATIONS

OIG also investigates recipients who fraudulently obtain SNAP benefits, as well as State and local employees who misuse their positions involving SNAP administration and other individuals who improperly access SNAP funds. The following are examples of these investigations that achieved results in the second half of FY 2014:

- *SNAP Initiative*. The SNAP Initiative is focused on partnering with Federal, State, and local law enforcement and non-law enforcement agencies to prosecute program violators, as well as educate retailers, clients, and the general public on the ramifications of SNAP fraud and trafficking. Further work under the SNAP Initiative, Phase 1, continued in Washington State during the reporting period. The operation focused on eastern Washington State, with an emphasis on Spokane, the Tri Cities, Yakima Valley, Yakima, Wenatchee, and selected smaller towns in north central Washington. The operations resulted in trafficking transactions at 6 retailers and unauthorized item purchases at 11 retailers. The initiative has resulted in 16 search warrants, 8 seizure warrants, and 10 arrest warrants to date.

- *Bronx Conman Victimizes SNAP-Authorized Stores*. For approximately 6 months in 2012, a Bronx man used numerous New York SNAP EBT cards that did not belong to him to process approximately $33,450

in SNAP credits and steal merchandise from at least 130 victim stores. Our joint investigation with the New York City Human Resource Administration's Bureau of Fraud and Investigation determined that the man posed as a customer purchasing large quantities of energy drinks and baby formula with an EBT card. He convinced the clerks to allow him to enter an EBT card number on the stores' EBT terminals, or he reached over the counter when the clerk was busy and processed the transactions on his own. By doing so, he processed credits of various amounts onto EBT cards in his possession, thereby stealing funds from the stores' SNAP accounts and generating receipts, which he would show to the clerks as evidence of his "purchases" in order to exit the stores with merchandise for which he had not paid. He visited some of the stores numerous times stealing thousands of dollars in SNAP funds and merchandise. In July 2013, he was charged in U.S. District Court, Southern District of New York, with conspiracy, theft of Government funds, and access device fraud. He pled guilty in December 2013, and in April 2014, was sentenced to 2 weeks' imprisonment to be followed by 60 months' supervised release including 6 months of home detention. He was also ordered to pay $13,700 in restitution to the stores.

- *SNAP Credit Scheme Results in Restitution Order of $46,531*. In May 2014, in Alameda County Superior Court, California, a woman was sentenced to 60 months' probation, ordered to perform 1,000 hours of community service, and ordered to pay $46,531 in restitution (jointly and severally with another defendant) and a $300 fine. She pled no contest in March 2014 to State charges of food stamp fraud and grand theft of personal property. Our investigation revealed that numerous suspicious SNAP EBT credits were posted to SNAP recipient cards in June 2012, with no other purchases posted. The bulk of the returns (credits) had been processed from a farmers' market within an Oakland, California, school district. Further inquiries determined that approximately $56,000 in suspicious return attempts were made, of which over $45,000 were successfully transacted. It was determined that the woman and another female accomplice accessed the point-of-sale machine belonging to the school's farmers market and issued credits to SNAP recipient friends and relatives. Both women were charged in June 2013 with food stamp fraud and grand theft of personal property. The second woman is currently a fugitive.

- *Texas Health and Human Services Commission Clerk Sentenced to Prison for Creating EBT Cards for Herself and Friends*. In May 2014, in U.S. District Court, Eastern District of Texas, a former employee of the Texas Health and Human Services Commission was sentenced to 6 months' imprisonment, 36 months' probation, and ordered to pay $72,846 in restitution jointly and severally with several co-defendants. Four co-defendants were also sentenced in May 2014 in the same court to terms of probation ranging from 24 months to 60 months and ordered to pay restitution amounts ranging from $1,463 to $25,560. From approximately July 2008 through August 2012, the employee, along with five friends, unlawfully acquired, transferred, possessed, and used SNAP Lone Star cards. The employee, in her capacity as a clerk, identified dormant SNAP accounts, then created replacement SNAP Lone Star cards, and forged and created documents to conceal the unlawful creation of the cards. Subsequently, her five friends, none of whom were eligible for SNAP benefits, purchased the cards from her for approximately half of their SNAP benefit value and then used the full value of benefits at authorized SNAP retailers. The approximate total loss as a result of the fraud was approximately $72,846 in SNAP funds. Sentencing for the fifth friend is pending.

- *Director of Tribal Temporary Assistance to Needy Families (TANF) Program in Montana Abuses Her Position of Trust*. In June 2014, in U.S. District Court, District of Montana, a woman who was the director of a Tribal TANF program was sentenced to 30 months' incarceration and restitution of $297,612. As the director, she overpaid eligible recipients and made payments to ineligible recipients by approving their applications, knowing that they were not eligible. Her failure to report the Tribal TANF payments to the State of Montana led to overpayments of SNAP, TANF, and Medicaid to 16 tribal members. She was charged in December 2013 with one count each of theft from an Indian Tribal Government receiving Federal grants and theft from an Indian Tribal Organization. She pled guilty in March 2014 to theft from an Indian Tribal Government receiving Federal grants. This investigation was worked as part of the Guardians Project, a task force which was organized by the U.S. Attorney's Office, District of Montana and which also included the Department of the Interior OIG, the Department of Justice OIG, Housing and Urban Development OIG, and FBI.

- *Woman Claims Child Not in Her Custody to Defraud SNAP and Other Programs*. In April 2014, in U.S. District Court, District of Montana, a woman was sentenced to 15 months' confinement, 36 months' probation, and restitution of $58,702. She applied for and received SNAP, TANF, and Medicaid benefits

by claiming a child for whom she did not have legal custody. She was charged in June 2013 with theft of Government funds and false statements. She pled guilty in January 2014 to theft of Government funds. This was another investigation that was worked in conjunction with the Guardians Project.

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

- *Food Share Applicant Claims to be Homeless and Fails to Disclose Over $100,000 in Fraudulent Federal Tax Refunds*. A Wisconsin resident falsified her Food Share (Food Share is the name for SNAP in Wisconsin) application by claiming to be homeless and failing to disclose that she had received over $100,000 from a fraudulent tax return scheme. A joint investigation with IRS-CI disclosed that the woman fraudulently filed at least 35 tax returns for the 2011 tax year, seeking over $200,000 in refunds. In July 2014, she was sentenced to 30 months in prison, followed by 36 months of supervised release. She was ordered to pay restitution of $120,125 to IRS and $400 to USDA.

- *Woman Earns Substantial Income from Business and Still Received SNAP Benefits*. In May 2014, in Superior Court for the State of Washington, a woman was ordered to pay $18,797 in restitution. She and her husband received SNAP benefits while owning a business that generated substantial income, which was not reported for SNAP purposes. They also lived in a house valued at over $1 million and had other substantial cash assets. She pled guilty to one felony count of theft in the first degree in October 2013. Her husband was sentenced in December 2013 to 48 months in Federal prison for bank fraud in a separate, unrelated IRS-CI investigation.

Food Services Manager Convicted of Wire Fraud

Our investigation disclosed that, between September 2008 and June 2011, the food services manager for a Philadelphia-area high school created and submitted approximately $179,000 in false claims for reimbursement under the National School Lunch Program and the School Breakfast Program for free and reduced-priced meals which were never provided. In October 2013, in U.S. District Court, Eastern District of Pennsylvania, the manager was charged with wire fraud. He pled guilty in January 2014. In April 2014, he was sentenced to 8 months' house arrest to be followed by probation for a term of 60 months, and ordered to pay restitution of $51,300.

Indiana Daycare Owners Incarcerated and Ordered to Pay $3.3 Million for False Claims

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

RECOVERY ACT

USDA's Lessons Learned from the American Recovery and Reinvestment Act of 2009

When Congress passed the American Recovery and Reinvestment Act of 2009 (Recovery Act), OIG conducted audits and investigations to ensure that these funds were well spent. Our audits resulted in 80 reports, 401 recommendations, and $5.1 billion in monetary exceptions. Our investigations into Recovery Act-related fraud resulted in 84 convictions, 8 years of total supervised release/probation, 8 months of total home confinement ordered, total recoveries of $11 million, and total forfeiture/seizures of $1.5 million. In addition, OIG presented a summary of "lessons learned" from our oversight of USDA's Recovery Act programs. While most programs that received Recovery Act funds were expected to quickly pump money into the economy, we found that several were not able to stimulate the economy quickly, as the President and Congress envisioned. Likewise, effective oversight was critical to the Recovery Act, but USDA could have done more to adequately oversee and monitor Recovery Act programs. The Recovery Act specified that agencies needed quantifiable outcomes for Recovery Act programs, but we found that certain measures developed by the agencies were not meaningful or realistic. Finally, agencies did not always report accurate information measuring how effective USDA was in accomplishing Recovery Act objectives and goals, such as creating new jobs and preserving existing jobs. Because this report summarized other audit reports, we did not present additional recommendations. (Audit Report 50703-0002-10, *Lessons Learned from the Recovery Act: An OIG Perspective*)

Utility Company's Use of Rural Utilities Service's Financial Assistance

In response to hotline complaints about a utility company, OIG reviewed how the company used funding provided through the Rural Utilities Service's (RUS) Water and Waste Disposal (WWD) Direct Loan and Grant Program. Generally, we found that the support for the sample of expenditures for the two projects we reviewed was reasonable, and that the company followed proper procedures for awarding construction contracts. However, we found the company violated program requirements with regards to fiscal responsibility which resulted in our questioning of more than $38 million in funding the borrower had received for recent projects. Further, we found that RUS' oversight was not sufficient to identify the issues the audit disclosed. RUS agreed with our findings and we have accepted management decision on all of the report recommendations. This includes an agreement by RUS to de-obligate more than $11 million in unused loan and grant funds. Due to statutory Federal privacy concerns regarding the subjects of hotline complaints, the full text of the report is being withheld from public release. (Audit Report 09703-0002-22, *Review of Use of RUS Financial Assistance by Utility Company*)

Illinois Father and Son Caught Falsifying Information Concerning Recovery Act Funds

An Illinois businessman and his son provided false statements by underreporting debts and overreporting assets in order to receive a $5.95 million RD-guaranteed loan funded through the Recovery Act. The investigation revealed that they were executives in a company that applied for a $5.95 million guaranteed Business and Industry loan to purchase and equip a factory. They conspired to have $1.7 million of those loan funds released under false pretenses. The son, representing a family-owned construction company that was named as the general contractor for the renovations, produced false documents claiming payment for renovation work done at the plant that either had not been performed, or was of a lesser value than claimed on the contractor's sworn statements. They both pled guilty to conspiracy to commit bank fraud, and the son also pled guilty to money laundering. The business owner was sentenced in U.S. District Court, Central District of Illinois, in May 2014 to 12 months and 1 day of imprisonment. His son was sentenced to 1 day in jail and 12 months of home confinement. Both were ordered to pay restitution of approximately $1.4 million to the Federal Deposit Insurance Corporation (FDIC), jointly and severally. USDA-OIG conducted the investigation jointly with FBI, the Internal Revenue Service (IRS), and FDIC-OIG.

GOVERNMENTWIDE ACTIVITIES—GOAL 2

- *Interagency Fraud and Risk Data Mining Group*. The OIG Data Analysis and Special Projects Division participates in this working group to learn from experts in the fields of data mining and risk analysis. The group brings together investigators and auditors within the Federal community in order to share fraud detection and prevention best practices, modeling tools and techniques, and emerging issues that can be integrated with existing data mining practices, tools, and techniques.

- *Operation Talon*. OIG began Operation Talon in 1997 to apprehend fugitives, many of them violent offenders, who are current or former SNAP recipients. Since its inception, Operation Talon has led to the arrests of thousands of fugitive felons. During the second half of FY 2014, Talon operations were conducted in 8 States, resulting in more than 400 arrests. OIG combined forces with Federal, State, and local law enforcement agencies to arrest fugitives for such offenses as arson, assault, blackmail, drug charges, offenses against family and children, robbery, sex offenses, and weapons violations.

- *Bridge Card Enforcement Team*. OIG investigators work with this team to investigate criminal SNAP and WIC violations. Team members include the Michigan State Police and IRS-CI investigators. During this reporting period, we have also worked with FBI and Homeland Security Investigations. Since 2007, our teamwork has resulted in 169 arrests and 261 search warrants served. The U.S. Attorney's Offices for the Eastern and Western Districts of Michigan and the Michigan Attorney General's Office are pursuing multiple criminal prosecutions, with cases so far resulting in 142 guilty pleas. Sentences have included lengthy incarceration periods and $26.4 million in court-ordered fines and restitution. The U.S. Attorney's Offices have initiated forfeitures totaling over $4.9 million. During this reporting period, OIG agents were presented the U.S. Attorney's Office, Eastern District of Michigan, agency award in recognition for the efforts in combatting program fraud in the district.

- *Cook County State's Attorney's Office Regional Crime Task Force*. OIG investigators work with this team to investigate criminal SNAP and WIC violations. Team members include the Illinois State's Attorney's Office, Illinois State Police, Chicago Police Department, U.S. Secret Service, U.S. Immigration and Customs Enforcement Homeland Security Investigations, and numerous other State and local law enforcement agencies that serve the citizens of Cook County, Illinois.

- *Suspicious Activity Reports Review Teams*. OIG agents in a number of States participate on suspicious activity review teams, which are coordinated by the U.S. Department of Justice through the U.S. Attorney's Offices. These review teams systematically review all reports of suspicious activity that affect a specific geographic jurisdiction, identify individuals who may be engaged in criminal activities, and coordinate and disseminate leads to appropriate agencies for followup. These teams generally include representatives from law enforcement and various regulatory agencies, with the U.S. Attorney's Office and IRS-CI typically in lead roles. OIG focuses specifically on reports of suspected criminal activities by business entities and individuals involved in USDA programs, including SNAP and WIC violations, stolen infant formula, and farm-related cases. Coordination among the respective agencies results in improved communication and more efficient resource allocation.

- *Mortgage Fraud Task Forces*. OIG investigators participate in mortgage fraud task forces in California, Minnesota, and North Carolina, in addition to a national mortgage fraud working group that meets monthly in Washington, D.C. These task forces identify trends, share information, and coordinate investigations related to mortgage fraud. They are working to improve efforts across the Federal executive branch and with State and local partners, investigate and prosecute significant mortgage crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. The task forces are headed by representatives from U.S. Attorney's Offices and FBI. They are strategically placed in locations identified as high-threat areas for mortgage fraud. They include participants from Federal program agencies and regulatory agencies including Housing and Urban Development, IRS, the Social Security Administration, local district attorneys' offices, and police departments.

- *Organized Retail Theft Task Forces*. As a member of the Retail Merchants Association of North Carolina Retail Theft Initiative, OIG agents coordinate, plan, and meet regularly with various retail merchants in North Carolina to discuss a proactive investigative strategy to develop cases involving retail theft. This working group coordinates investigations of convenience stores and retail outlets that may be involved in the theft and resale of infant formula, electronics, and other retail items. As members of the Bay Area Organized Retail Crime Association in California, OIG agents work with

other area law enforcement agencies and organized retail crime investigators from major retailers to identify and coordinate action against organized retail theft rings, as well as to identify retail items susceptible to theft by such organized groups.

- *The Guardians Project*. USDA-OIG was a member of this task force in Montana consisting of other OIGs and FBI until June 2014, when the OIG special agent stationed in Montana retired. The task force was convened by the U.S. Attorney's Office to coordinate and synchronize law enforcement efforts among various Departments that have a significant financial commitment in Native American communities in Montana. The participating agencies join forces; share assets and responsibilities; promote citizen disclosure of public corruption, fraud, and embezzlement in Federal programs, contracts, and grants; and investigate and prosecute crimes against Montana's Native American communities.

- *Western Regional Inspectors General Councils and Intelligence Working Groups*. OIG investigators work with various councils and groups to share information, discuss ongoing and potential work of mutual interest, and strengthen working relationships. In addition, Western Region OIG investigators organize and participate in meetings to enhance coordination among Federal, State, and local law enforcement agencies throughout the region. Inspector General (IG) councils meeting in other regions of the country also include USDA-OIG representatives.

- *Small Business Innovative Research Working Group*. OIG investigators and auditors participate in a working group hosted by the National Science Foundation OIG. The working group is focused on addressing Congress' concerns about the persistence of fraud in this research program, as well as the IGs' annual reporting requirements on their work in this program area.

- *Environmental Crimes Working Groups*. OIG agents continue to participate in working groups convened by U.S. Attorney's Offices in the District of New Hampshire, the Eastern District of North Carolina, and the Western District of Washington State, to improve cooperation and coordination among Federal, State, and local law enforcement agencies enforcing environmental laws, as well as to exchange information and provide prosecutorial support and training opportunities.

- *Minnesota Pest Risk Committee*. OIG participates in this committee, which is composed of Federal, State, and local representatives who focus on efforts used in Minnesota to intercept and control invasive plants, insects, and animals that are detrimental to the State.

- OIG agents participated in other task forces and working groups related to benefits fraud, including the *Northern California Financial Fraud Investigators Association*; a bankruptcy fraud working group and white-collar crime working group in Kansas and Missouri; the *Identity Theft Working Group* in New Hampshire; social services/welfare fraud working groups in Oregon and Washington State; the *Colorado Welfare Fraud Council*; and SNAP and welfare fraud joint investigative groups in Arizona and California, including a *U.S. Secret Service High Tech Crimes Task Force*.

- *Ohio Organized Crime Investigations Commission Task Force*. An OIG investigator is participating on the Ohio Organized Crime Investigations Commission Task Force in Dayton. The task force provides assistance to local law enforcement agencies in the investigation of organized criminal activity. OIG investigators have participated on the task force since 1996 and have conducted investigations involving welfare recipients, food stamp trafficking, mortgaged farm equipment stolen from farmers, stolen property trafficking, illegal drugs, and dog fighting.

ONGOING REVIEWS FOR GOAL 2

- Federal Crop Insurance Program—enterprise units (RMA),
- beginning farmers and ranchers programs (FSA, RMA, NRCS, Office of Advocacy and Outreach (OAO), National Institute of Food and Agriculture (NIFA), and Rural Business Service (RBS)),
- SNAP error rate (FNS),
- National School Lunch and School Breakfast Programs (FNS),
- Microloan Program (FSA),
- Section 2501 Grants Awarded FYs 2010-2011 (OAO),
- Healthy Hunger-Free Kids Act (FNS),
- coordination of USDA farm program compliance (FSA, RMA, NRCS), and
- rainfall and vegetation index pilot program (RMA).

Management Improvement Initiatives

OIG Strategic Goal 3

Provide USDA with oversight to help it achieve results-oriented performance

OIG conducts audits and investigations that focus on such areas as improved financial management and accountability, information technology (IT) security and management, research, real property management, employee integrity, and the Government Performance and Results Act. The effectiveness and efficiency with which USDA manages its assets are critical. USDA depends on IT to efficiently and effectively deliver its programs and provide meaningful and reliable financial reporting. One of the more significant dangers USDA faces is a cyber attack on its IT infrastructure, whether by terrorists seeking to destroy unique databases or criminals seeking economic gain.

In the second half of FY 2014, we devoted 40 percent of our total direct resources to Goal 3, with 98.2 percent of these resources assigned to critical/high-impact work. A total of 90.3 percent of our audit recommendations under Goal 3 resulted in management decision within 1 year, and 66.7 percent of our investigative cases resulted in criminal, civil, or administrative action. OIG issued 10 audit reports under Goal 3 during this reporting period. OIG's investigations under Goal 3 yielded 4 indictments, 6 convictions, and approximately $200,000 in monetary results during this reporting period.

Management Challenges Addressed Under Goal 3

- USDA Needs to Create Strong, Integrated Internal Control Systems Across Programs
- Information Technology Security Needs Continuing Improvement
- Action Needed to Improve Natural Resources Stewardship
- Identifying, Reporting, and Reducing Improper Payments Can Strengthen USDA Programs

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 3

Office of Procurement and Property Management Needs to Improve How It Uses the Integrated Acquisition System to Manage USDA's Procurement Process

The Office of Procurement and Property Management (OPPM), the agency responsible for supporting USDA's procurement activities, uses the Integrated Acquisition System (IAS), USDA's main procurement database, to manage its procurement process. USDA agencies' contracting officers are responsible for inputting information in IAS. There were 71,138 IAS contracts for FYs 2011 and 2012, totaling approximately $3.4 billion. We found 9,014 contract actions entered for payment in the accounting system for contracts that were not entered in IAS. Of the 26 contracts that we judgmentally selected for review, we found that contracting officers did not input required information in IAS for 19 of the contracts. Instead of preparing the contracts in IAS first, officers deviated from established procedures and entered them for payment directly into the Financial Management Modernization Initiative system, USDA's financial database. We also found 152 contracts, totaling $12.5 million, which were stored in IAS, but either were not transferred to or listed as finalized in the Federal Procurement Data System-Next Generation, the database used to report USDA procurements to the public, as required by the Federal Funding Accountability and Transparency Act of 2006. Ultimately, because OPPM does not have adequate verification procedures to actively monitor procurement-related activities—in particular, the recording of data in the Federal Procurement Data System-Next Generation—that information is not complete. Consequently, USDA cannot create accurate reports to publicize how taxpayer funds are being spent, and thus will not be in compliance with the Act. OPPM generally agreed with our findings. (Audit Report 89901-0001-13, *Review of USDA Contract Databases Audit Report*)

USDA Needs to Better Oversee Cloud Computing to Ensure Compliance with Federal Requirements

USDA has incorporated cloud computing into its overall IT environment, but OIG found that the Department does not have a complete inventory of its cloud systems. Even though USDA has an official system of record for its inventory of IT systems, 17 of the 31 cloud systems were not included in the inventory, and

8 additional systems were in the inventory, but not marked as cloud systems. Additionally, the level of detail included within the contracts for procuring the systems varied across our sample, with all six reviewed contracts lacking details required by Federal guidelines. Finally, only two of the six cloud service providers tested met the requirements to become Federal Risk and Authorization Management Program compliant by the required deadline of June 5, 2014. These issues occurred because the offices and agencies have adopted cloud computing technologies without clear guidance, including a USDA-wide definition of what constitutes a cloud computing system. As a result, USDA's data are exposed to risk of loss or disclosure to unauthorized parties, which could compromise the Department's programs and producer data. Furthermore, because 5 of 6 contracts (totaling approximately $66.9 million) did not specify how a provider's performance was to be measured, reported, or enforced, the agencies are not able to ensure adequate service levels are met, increasing the risk that USDA funds could be misspent or ineffectively used. USDA generally agreed with our findings.

This audit was part of a CIGIE initiative to perform a Government-wide review of Federal agencies' cloud computing efforts. USDA-OIG consolidated the findings of 19 OIGs into a consolidated report, which CIGIE issued on September 30, 2014, with recommendations addressed to OMB. (Audit Report 50501-0005-12, *USDA's Implementation of Cloud Computing Services*)

Office of Advocacy and Outreach (OAO) Did Not Effectively Implement the StrikeForce Initiative Pilot Program

OIG found that OAO did not ensure that the pilot program's primary goals were met, including assisting agricultural producers and communities in poverty-stricken and predominantly minority areas to gain access to USDA programs. Instead, OAO bypassed Federal regulations and hand-picked four community-based organizations. These organizations generally had questionable qualifications to achieve the goals of the initiative. OIG also found problems with how the Office of Small and Disadvantaged Business Utilization and other USDA agencies transferred almost $2.7 million for FYs 2010 and 2011 to OAO to fund the StrikeForce Initiative pilot program—$300,000 of these funds were not properly approved for the program. Ultimately, OAO did not fully ensure that the transferred funds met the specific purpose for which they were originally appropriated, or that they were used in the best interest of the Federal Government. OAO generally agreed with our recommendations. (Audit Report 91099-0002-21, *USDA StrikeForce Initiative*)

USDA Should Better Oversee How it Transfers Funds Between Agencies

Our audit of USDA's use of fund transfers under the Economy Act and 7 U.S.C. § 2263, referred to as "Greenbook authority," found that, although Congress reduced funding for USDA's Departmental Administration and Office of Tribal Relations for FY 2011 and 2012, USDA used these authorities, as well as its Working Capital Fund, to fund staff that likely would have been affected by the reductions. As a result, USDA spent at least $3.7 million for salaries and benefits to fund staff that was not directly appropriated to those accounts. We also found that USDA exceeded its Greenbook authority to pay for the Intertribal Technical Assistance Network, since it improperly transferred $2.1 million from agencies that did not have the authority to fund the network's activities. Finally, for controls over Economy Act transfers, we found that USDA had not provided sufficient direction and oversight to agencies to ensure they properly supported the approximately $100 million in transfers made during FYs 2011-2012. Due to lack of support, we questioned $43 million in transfers, since we were unable to conclude (1) whether the transfers were in the best interest of the Government and (2) how those funds were used. USDA's Office of the Chief Financial Officer (OFCO) agreed with our findings. (Audit Report 50099-0001-23, *Controls Over Economy Act Transfers and Greenbook Program Charges Audit Report*)

OIG Reviewed How the National Finance Center Reports Federal Employee Benefits and Enrollment Information to the Office of Personnel Management

OIG performed agreed-upon procedures for assessing information reported by USDA's National Finance Center (NFC), which reports Federal employee benefits and enrollment information, to the Office of Personnel Management (OPM). Reported information includes headcounts, as well as withholdings and contributions for retirement, health benefits, and life insurance. Additionally, NFC withholds employees' Combined Federal Campaign (CFC) contributions and distributes them to Principal Combined Fund Organizations (PCFO).

In applying agreed-upon audit procedures, we identified differences through calculations, analyses, and comparisons. For instance, we again identified headcounts for military deposits and for salary offsets that often differed from NFC's by more than 2 percent, as did some headcounts relating to health, life insurance, or retirement benefits. In general, NFC stated that further analyses will be performed to address any issues that the programming changes from

last year were not designed to address. Additionally, we identified CFC deductions for employees at duty stations with no CFC, or attributed to the wrong CFC, sometimes because an incorrect CFC pledge form was used. We also noted some instances where PCFO names and addresses in NFC's system differed from those deemed correct by OPM. Generally, NFC attributed most CFC differences to manual processes and human error. NFC noted a low error rate overall, and that it was responsible for very few of these differences.

Our sample document review disclosed five errors for benefits entered into the system by entity staff. Furthermore, we were unable to verify entries for 85 personnel documents we tested because entities' personnel officers were unable to locate the documents. However, to ensure that information from the system was accurate, we performed any applicable calculations for salary, retirement, and life and health insurance. We noted no exceptions and made no recommendations in this report. (Audit Report 11401-0008-11, *Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to OPM*)

OIG Reviewed NFC's Payroll and Application Hosting Systems

OIG examined specified controls at USDA's NFC, which provided OIG with a description of its payroll/personnel and application hosting systems for the period from October 1, 2013, through July 31, 2014. OIG found that NFC's description fairly presents, in all material aspects, the payroll/personnel processing and application hosting systems NFC designed and implemented throughout the specified period. Also, in our opinion, the described controls were suitably designed and operating effectively to provide reasonable assurance that associated control objectives would be achieved during the period, if user entities effectively applied controls complementary to the design of NFC's controls. We made no recommendations. (Audit Report 11401-0007-11, *Statement on Standards for Attestation Engagements No. 16 Report on Controls at the National Finance Center for October 1, 2013, to July 31, 2014*)

USDA Needs to Improve How It Reports Improper Payments

OIG found that USDA did not comply with the Improper Payment Information Act (IPIA), as amended, for a third consecutive year. Although USDA made progress towards improving its processes to move towards compliance, the Department was not compliant with three of the seven IPIA requirements. Specifically, for its high-risk programs, USDA did not always report comprehensive estimates, report error rates below 10 percent, or meet annual reduction targets. These noncompliances continue to illustrate the risks of improper payments affecting taxpayers, as USDA could have avoided approximately $416 million in improper payments by meeting reduction targets. OIG is required to report to Congress that USDA did not comply with IPIA. For those programs, USDA must implement several actions, including submitting to Congress proposals for improvement. Because the Department has not yet fully implemented corrective actions, some of USDA's reported actions to prevent and reduce improper payments may not reflect its actual progress. USDA must also improve its reporting accuracy, as in at least one case, an agency did not report correctly improper payments that it recovered. USDA officials generally concurred with our findings and recommendations. (Audit Report 50024-0005-11, *U.S. Department of Agriculture Improper Payments Elimination and Recovery Act of 2010 Compliance Review for Fiscal Year 2013*)

USDA Needs to Better Oversee its Contract for its Universal Telecommunications Network

In 2010, USDA signed a multi-year task order with AT&T to provide the Universal Telecommunications Network (UTN), the data network backbone for its customers and agencies. We found that USDA is not adequately overseeing UTN security and performance. Instead, Office of the Chief Information Officer (OCIO) staff concentrated on the operational aspects of UTN, without placing adequate emphasis on security and task order management, and the contracting officer (CO) from OPPM was not familiar with the task order. We also found that AT&T had not yet installed required network security features. This occurred because OCIO lacked sufficient controls to ensure that all task order provisions were met—for instance, the responsible CO did not have a copy of the task order 6 months after it was assigned to him. Past OIG audit recommendations were also not adequately addressed. As a result, USDA faces an increased risk of sensitive information being lost, disclosed, altered, or destroyed, and is paying for task order services that are not being provided.

We also found that OCIO did not perform an adequate reconciliation of UTN charges, and reconciliation procedures were inadequate and outdated. As a result, AT&T found that it had both overbilled and underbilled USDA for an aggregate total of more than $1.9 million. Even after being made aware of these errors, OCIO did not fix the discrepancies and AT&T continued to overbill almost $90,000 in subsequent months. OCIO and OPPM

have agreed to all of the findings and recommendations. (Audit Report 88501-0002-12, *Management and Security Over USDA's Universal Telecommunications Network*)

USDA Needs to Improve Compliance with Executive Order on Reducing Improper Payments

The President issued Executive Order 13520, Reducing Improper Payments, to strengthen efforts to eliminate payment error, waste, fraud, and abuse in Federal programs. As required by the Executive Order, OIG reviewed USDA's quarterly high-dollar overpayments reports and made recommendations, as necessary, to agencies' plans to recover and prevent high-dollar overpayments. For FY 2013, USDA reported 569 high-dollar overpayments totaling over $47.1 million. This represents an increase of 42 percent over the number of overpayments reported the previous year. In our fourth year of reporting, we found that USDA implemented actions to adhere to the high-dollar reporting requirements. However, USDA quarterly reports included errors, inadvertently omitted data, and were published up to 222 days after the due date. This occurred because of budget constraints and resource limitations that affected the reporting of high-dollar overpayments. USDA needs to take further steps to ensure it reports the information accurately, completely, and timely. Without accurate and timely reporting, the results of USDA's actions or strategies to reduce high-dollar overpayments are not fully known. USDA's Office of the Chief Financial Officer agreed with our recommendations. (Audit Report 50024-0006-11, Executive Order 13520, *Reducing Improper Payments, Fiscal Year 2013 High-Dollar Overpayment Report Review*)

NRCS Should More Consistently Monitor Conservation Easements

OIG found that, although NRCS has recently made improvements to its easement monitoring policy, a number of additional improvements should be made. We found, for instance, that NRCS is not consistently detecting or reporting violations during onsite monitoring visits. We found violations of the terms of easement agreements and expired authorizations for compatible use on 16 of the 62 easements we visited. NRCS relies on its National Easement Staging Tool (NEST) for its monitoring of easements, but we found that it contained invalid, incorrect, and incomplete information. For example, NRCS reviews of NEST did not identify that the agency lacks edit checks to prevent inaccurate dates from being entered, State officials were not entering data on current Compatible Use Authorizations until the authorizations were renewed, and the information for tracking easement monitoring shows 1,026 of 15,185 were either not timely completed or not timely entered into NEST. Finally, we reviewed the files for 22 noncompliant easements and found 5 landowners who were not notified of the noncompliance and may have been unaware they needed to correct the problem. The agency generally agreed with our 11 recommendations. (Audit Report 10601-0002-31, *NRCS Conservation Easement Compliance*)

Agricultural Research Service (ARS) Employee Makes False Statements to the U.S. Department of Education

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

Former FS Employee Sentenced to 16 Months in Prison

In June 2014, a former FS employee was sentenced in San Bernardino, California, Superior Court to 16 months in prison and fined $300. Our investigation determined that he stole FS fleet cards and used the stolen credit cards to purchase personal items, including multiple Apple iPads and iPad accessories. In February 2014, the former employee was charged with multiple counts of theft/acquisition of access cards without consent with intent to sell, and he subsequently pled guilty. The man resigned from his position with FS in July 2012.

FS Employee Pleads Guilty to Theft of Employee Association Funds

In April 2014, in Weber County, Utah, District Court, an FS employee was sentenced to serve 30 days in jail, followed by 36 months' probation, and ordered to pay $6,300 in restitution and to attend classes on theft and morals. The FS employee was the treasurer for an FS employee association and stole approximately $6,000 from the association's account and then used the funds for his own purposes. He pled guilty to theft in February 2014. In lieu of termination, he resigned from his position with FS.

GOVERNMENTWIDE ACTIVITIES—GOAL 3

- *Federal Information Security Modernization Act of 2014*. OIG reviewed draft Senate Bill S.2521, entitled the "Federal Information Security Modernization Act of 2014," and had one comment. The draft Senate bill provides that the head of each agency shall "ensure that senior agency officials, including chief information officers of component agencies . . . carry out responsibilities . . . as directed by the official delegated authority under paragraph (3)." Paragraph (3) requires the head of the agency "to delegate to the agency Chief Information Officer (CIO) established under section 3506 . . . the authority to ensure compliance with the requirements" imposed by the subchapter. This provision would potentially empower the Departmental CIO to direct the activities of OIGs and OIG CIOs, thereby impinging on OIG independence. OIG recommended modifying the bill's language to acknowledge the Inspector General's independence by, for example, explicitly exempting OIG CIOs from the requirements of that provision, or by amending the language of the bill as to OIGs, to allow for Departmental CIO and OIG consultation on applicable requirements.

- *Treasury Proposed Rule—Publishing Delinquent Nontax Debtor Information*. We reviewed the Department of the Treasury's (Treasury) proposed rule, Publishing Delinquent Nontax Debtor Information, and provided two sets of suggestions for consideration during this reporting period. The proposed rule, required to be published by Treasury pursuant to the Debt Collection Improvement Act, established procedures Federal agencies must follow before publishing information about delinquent debtors and the standards for determining when use of this debt collection remedy is appropriate. Our first set of comments included both technical and substantive edits. We suggested that the proposed rule be amended to: (1) provide greater consistency between the requirements specified in the preamble and the corresponding rule text, particularly with regard to considering the impact of publishing debtor names on pending Federal investigations and litigation; (2) clarify agency procedures for implementing the rule; (3) require when an agency selects a certain class of debt or debtors for publication, the agency should publish all debts and debtors that are contained in that class, with few exceptions; and (4) require the regular review of published debtor information. Our second set of comments reiterated our concern that the proposed rule text should reflect the requirement that agencies consider the impact on pending Federal investigations and litigation of publishing debtor names.

- *Intra-Departmental Coordinating Committee on International Affairs*. OIG auditors continue to attend the committee's meetings. Headed by the Foreign Agricultural Service (FAS), the purpose of the committee (which includes most USDA agencies) is to coordinate international activities. Some of the committee's issues include trade promotion authority, country strategy statements, implications of climate change on agriculture, and international food security and assistance.

- *Conference Spending Reporting Requirements*. OIG worked with other IGs on the implementation of the conference reporting requirements outlined in Section 742 of the Consolidated Appropriations Act, 2014.

- *Hurricane Sandy Disaster Rebuilding Task Force*. OIG monitored USDA's efforts related to Hurricane Sandy recovery efforts.

- *USDA Credit Reform Workgroup*. The Financial Audit Operations Division of OIG participates on this workgroup, which is composed of representatives from all USDA credit agencies. The purpose of this workgroup is to address accounting, auditing, budgeting and reporting issues encountered by agencies subject to the Federal Credit Reform Act of 1990.

- *Financial Statement Audit Network (FSAN) Workgroup*. OIG auditors are members of the FSAN workgroup, whose main purpose is to provide the audit community with a forum to share ideas, knowledge, and experience concerning Federal financial statement audits. Through coordination with FSAN, OIG hosts the annual Council of the Inspectors General on Integrity and Efficiency (CIGIE)/Government Accountability Office Financial Statement Audit Conference.

- *Federal Audit Executive Council*. OIG participates in this council, whose main purpose is to discuss and coordinate issues affecting the Federal audit community with special emphasis on audit policy and operations of common interest to members. The council has six standing committees: Audit, Financial Statements, Information Technology, Professional Development, Contracting, and the Annual Conference. OIG actively participates in the Contracting Committee.

- *Whistleblower Ombudsman Working Group*. An OIG employee serves as USDA's Whistleblower Protection Ombudsman and continues to participate in the OIG Whistleblower Ombudsman Working Group. This

group was established following the enactment of the Whistleblower Protection Enhancement Act of 2012 to assist ombudsmen with implementing the Act's requirements concerning the education of Federal employees about prohibitions against retaliation for protected disclosures of fraud, waste, and abuse, and their rights and remedies if retaliation does occur.

- *Federal Hotline Working Group*. An OIG employee serves as the representative on the Federal Hotline Working Group. This group was established for the OIG Hotline community to discuss Hotline procedures and exchange best practices to ensure the most efficient operation of hotlines throughout the OIG community.

- *Financial Fraud Enforcement Task Force (which incorporated the National Procurement Fraud Task Force)*. OIG is a member of the Financial Fraud Enforcement Task Force, established by the President to coordinate a comprehensive response to a broad spectrum of financial crimes, from securities fraud to identity theft. The task force is working to better allocate resources, improve coordination in financial fraud cases, and accelerate its investigation and prosecution. OIG investigation field offices participate in procurement fraud and other task force activities.

- *FBI's Public Corruption Working Group/Task Force*. OIG agents are members of these groups in Mississippi and Utah, which are focused on combating corruption involving Government officials and employees.

ONGOING REVIEWS FOR GOAL 3

- Department of Agriculture's consolidated financial statements for FY 2014 and 2013 (USDA),
- reviews of agency financial statements (NRCS, RD, FNS, Commodity Credit Corporation (CCC), and Federal Crop Insurance Corporation),
- review of the Department's U.S. Bank purchase card and convenience check data (Office of Procurement and Property Management),
- Hispanic and women farmers and ranchers claim resolution process (USDA),
- controls over land valuations for conservation easements (NRCS),
- Livestock Forage Program (FSA),
- controls over the Conservation Stewardship Program (NRCS),
- firefighting cost share agreements with non-Federal entities (FS),
- review of selected contract actions (Office of the Assistant Secretary for Civil Rights),
- *In re* Black Farmers Discrimination Litigation—adjudicated claims (USDA),
- FY 2014 Federal Information Security Management Act (OCIO),
- oversight and compliance activities (FS),
- review of initiative to Modernize and Innovate the Delivery of Agricultural Systems (FSA),
- fleet charge card data (USDA),
- Rural Rental Housing's tenant and owner information using data analytics (Rural Housing Service),
- USDA's Process Verified Program (FSIS, AMS),
- rural energy for America program (RUS),
- crop insurance compliance case management (RMA),
- monitoring of stewardship activities (FS),
- wetland conservation provisions in the Prairie Pothole Region (NRCS),
- wildland fire activities—hazardous fuels reduction (FS),
- monitoring of the Administration's Trade Agreement Initiatives (FAS), and
- controls over prioritizing and funding agricultural research (USDA).

Reporting Requirements, Inspector General Act

IG Act Section	IG Act Description	USDA-OIG Reported SARC September 2014
Section 4(a)(2)	Review of Legislation and Regulations	Page 21
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-23
Section 5(a)(2)	Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies	Goals 1, 2, and 3 Pages 1-23
Section 5(a)(3)	Significant Recommendations From Agency's Previous Reports on Which Corrective Action Has Not Been Completed	Appendix A.10 Pages 46-59
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and Resulting Convictions	Appendix B.1 and B.2 Pages 61-62
Section 5(a)(5)	Matters Reported to the Head of the Agency	N/A
Section 5(a)(6)	Audit Reports Issued During the Reporting Period	Appendix A.6 Pages 38-41
Section 5(a)(7)	Summary of Significant Reports	Goals 1, 2, and 3 Pages 1-23
Section 5(a)(8)	Statistical Table: Questioned Costs	Appendix A.2 Pages 33-34
Section 5(a)(9)	Statistical Table: Recommendations That Funds Be Put to Better Use	Appendix A.3 Page 35
Section 5(a)(10)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	Appendix A.7 Pages 42-43
Section 5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	Appendix A.8 Page 44
Section 5(a)(12)	Significant Management Decisions With Which the Inspector General is in Disagreement	Appendix A.9 Page 45
Section 5(a)(13)	Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996	Appendix A.11 Page 60
Section 5(a)(14) and (15)	Peer Reviews of USDA-OIG	Page 30
Section 5(a) (16)	Peer Reviews performed by USDA-OIG	Page 30

Other information that USDA-OIG reports that are not part of these requirements:

a. performance measures,
b. participation on committees, working groups, and task forces,
c. recognition (awards received),
d. program improvement recommendations,
e. FOIA results, and
f. hotline complaints results.

National Defense Authorization Act for FY 2008

Section 845	Contract Audit Reports with Significant Findings	Appendix A.4 Page 36

Gauging the Impact of OIG

Measuring Progress Against the OIG Strategic Plan

The first way we gauge our impact was by measuring the extent to which our work focused on the key issues under our strategic goals. These are:

1. Strengthen USDA's ability to implement safety and security measures to protect the public health as well as agricultural and Departmental resources.
2. Reduce program vulnerabilities and strengthen program integrity in the delivery of program assistance.
3. Provide USDA with oversight to help it achieve results-oriented performance.

Impact of OIG Audit and Investigative Work on Department Programs

A second way we gauge our impact is by tracking the outcomes of our audits and investigations. Many of these measures are codified in the IG Act of 1978, as amended. The following pages present a statistical overview of the OIG's accomplishments this period.

For audits we show:

- reports issued,
- management decisions made (number of reports and recommendations),
- total dollar impact of reports (questioned costs and funds to be put to better use) at issuance and at the time of management decision,
- program improvement recommendations, and
- audits without management decision.

For investigations we show:

- indictments,
- convictions,
- arrests,
- total dollar impact (recoveries, restitutions, fines, asset forfeiture),
- administrative sanctions, and
- OIG Hotline complaints.

Performance Results Total Under Our Strategic Goals

PERFORMANCE MEASURES	FY 2013 ACTUAL	FY 2014 TARGET	FY 2014 ACTUAL
OIG direct resources dedicated to critical-risk and high-impact activities.	96.6%	94%	95.3%
Audit recommendations where management decisions are achieved within 1 year.	94.4%	92%	94.2%
Mandatory, Congressional, Secretarial, and Agency requested audits initiated where the findings and recommendations are presented to the auditee within established or agreed-to timeframes (includes verbal commitments.)	100%	90%	100%
Closed investigations that resulted in a referral for action to US-DOJ, State, or local law enforcement officials, or relevant administrative authority.	86%	75%	87.9%
Closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.	79.7%	70%	81.5%

Key OIG Accomplishments for FY 2014—October 1, 2013-September 30, 2014

SUMMARY OF AUDIT ACTIVITIES	FY 2014 1st Half	FY 2014 2nd Half	FY 2014 Total
Reports Issued			
Number of Final Reports	**17**	**19**	**36**
Number of Interim Reports	**0**	**1**	**1**
Number of Final Report Recommendations (199 program improvement/48 monetary)	**95**	**152**	**247**
Number of Interim Report Recommendations	**0**	**2**	**2**
Total Dollar Impact of Reports at Issuance (Millions)	**$104.1**	**$221.3**	**$325.4**
Questioned/Unsupported Costs	**$0.9**	**$190.1**	**$191.0**
Funds To Be Put To Better Use	**$103.2**	**$31.2**	**$134.4**
Management Decisions Reached			
Number of Reports	**8**	**20**	**28**
Number of Recommendations (179 program improvements/45 monetary)	**42**	**182**	**224**
SUMMARY OF INVESTIGATIVE ACTIVITIES			
Reports Issued	**178**	**156**	**334**
Impact of Investigations			
Indictments	**312**	**534**	**846**
Convictions	**270**	**339**	**609**
Arrests	**507**	**727**	**1,234**
Total Dollar Impact (Millions)	**$231.8**	**$142.8**	**$374.6**
Administrative Sanctions	**182**	**169**	**351**

Peer Reviews and Outstanding Recommendations

Peer Reviews of USDA-OIG

Audit

During the current reporting period, there were no peer reviews conducted of USDA-OIG's audit organization. USDA-OIG received a grade of pass, the best evaluation an audit organization can receive, in the most recent report on its peer review conducted by the Environmental Protection Agency-OIG in November 2012. In that report, there were no recommendations. In the letter of comment accompanying that report, however, there were three recommendations, which we have fully implemented.

Investigations

During the current reporting period, there were no peer reviews conducted of USDA-OIG Investigations. The most recent peer review, which was conducted by the Treasury Inspector General for Tax Administration (TIGTA) in June 2013, found Investigations to be in full compliance with the Council of the Inspectors General for Integrity and Efficiency Quality Standards for Investigations.

As a result of the review, TIGTA made four recommendations. Three of the recommendations made will be implemented when our new case management system becomes operational in FY 2015 and our directives are updated to reflect the new case management procedures.

The fourth recommendation pertained to the Office of Compliance and Integrity (OCI), which does not fall under the Office of Investigations. OCI is an independent internal affairs office which is specifically positioned outside of Investigations in order to enhance OCI's independence and objectivity. This structure enables OCI to conduct its internal affairs investigations and quality assurance reviews of all OIG operations objectively. As such, OCI has never been within the scope of an Office of Investigations peer review. Although OCI is not situated within Investigations, the fourth recommendation suggested an external peer review of OIG's OCI by another OIG. Although this recommendation is beyond the scope of an external peer review of Investigations, OCI is currently voluntarily working to coordinate a peer review by another similarly structured internal affairs OIG office. This action is being carried out to address the spirit of TIGTA's recommendation.

Peer Reviews Performed by USDA-OIG

USDA-OIG Investigations conducted a peer review of the U.S. Postal Service OIG's (USPS-OIG) investigative operations during the current reporting period. Our review found the USPS-OIG investigative operations to be in full compliance with the CIGIE Quality Standards for Investigations. The peer review report noted several best practices utilized by USPS-OIG, including the firearms program, the leadership training program, and the computer crimes unit. One area for improvement was identified. Specifically, USPS-OIG investigative reports did not consistently include a clear and concise statement of the applicable law, rule, or regulation that was violated. The peer review team recommended including such a statement in all reports of investigation.

There are no outstanding recommendations from any report (or from any letter of comment accompanying any report) on a peer review conducted by USDA-OIG of another OIG's audit or investigative organization prior to the current reporting period.

Recognition of OIG Employees by the Secretary and IG Community

Secretary's Honor Award (announced in September 2014, presented in November 2014)

Secretary's Award for Personal and Professional Excellence

Nebraska's Finest Meat Investigative Team
Investigations

Council of the Inspectors General on Integrity and Efficiency (CIGIE) Awards (announced in September 2014, presented in October 2014)

Awards for Excellence

Prevented Planting Review Team
Audit

Nebraska's Finest Meats Investigative Team
Investigations

CIGIE Grant Reform Working Team
National Science Foundation OIG, assisted by three USDA-OIG auditors

Security Review of the National Agricultural Statistics Service's Lockup Procedures Team
Audit

Appendix A—Audit Tables

Appendix A.1—Summary of Audit Activities—April 2014-September 2014

Reports Issued: 19	Audits Performed by OIG	19
	Audits Performed Under the Single Audit Act	0
	Audits Performed by Others	0
Management Decisions Made: 182	Number of Reports	20
	Number of Recommendations	182
Total Dollar Impact (Millions) of Management-Decided Reports: $403 million	Total Questioned/Unsupported Costs	$326.5[a, b]
	-Recommended for Recovery	$79
	-Not Recommended for Recovery	$247.5
	Funds To Be Put to Better Use	$76.5

[a] These were the amounts the auditees agreed to at the time of management decision.
[b] The recoveries realized could change as auditees implement the agreed-upon corrective action plan and seek recovery of amounts recorded as debts due the Department.

Summary of Interim Reports Issued—April 2014-September 2014

OIG uses Interim Reports to alert management to immediate issues during the course of an ongoing audit assignment. Typically, they report on one issue or finding requiring management's attention. OIG issued one Interim Report during this reporting period.

Reports Issued: 1	Audits Performed by OIG	1
	Audits Performed Under the Single Audit Act	0
	Audits Performed by Others	0
Management Decisions Made: 0	Number of Reports	0
	Number of Recommendations	0
Total Dollar Impact (Millions) of Management-Decided Reports: $0 million	Total Questioned/Unsupported Costs	$0[a, b]
	-Recommended for Recovery	$0
	-Not Recommended for Recovery	$0
	Funds To Be Put to Better Use	$0

[a] These were the amounts the auditees agreed to at the time of management decision.
[b] The recoveries realized could change as auditees implement the agreed-upon corrective action plan and seek recovery of amounts recorded as debts due the Department.

Appendix A.2—Inventory of Audit Reports with Questioned Costs and Loans from April 1, 2014 through September 30, 2014

CATEGORY	NUMBER	QUESTIONED COSTS AND LOANS		UNSUPPORTED[a] COSTS AND LOANS
Reports for which no management decision had been made by April 1, 2014.[b]	8	$401,046,230		$35,318,608
Reports which were issued during the reporting period.	8	$190,074,336		$43,516,842
Total reports with questioned costs and loans	**16**	**$591,120,566**		**$78,835,450**
Of the 16 reports, those for which management decision was made during the reporting period.	6	*Recommended for recovery*	*$78,998,890*	*$43,628,938*
		Not recommended for recovery	*$247,481,285*	*$0*
		Costs not disallowed	*$136,309*	*$64,885*
Of the 16 reports, those for which no management decision has been made by the end of this reporting period.	10	$264,504,082		$35,141,627

[a] Unsupported values are included in questioned values.
[b] Carried over from previous reporting periods.

Inventory of Interim Reports with Questioned Costs and Loans from April 1, 2014 through September 30, 2104:

CATEGORY	NUMBER	QUESTIONED COSTS AND LOANS		UNSUPPORTED[a] COSTS AND LOANS
Reports for which no management decision had been made by April 1, 2014.[b]	0	$0		$0
Reports which were issued during the reporting period.	1	$8,290,314		$0
Total reports with questioned costs and loans	**1**	**$8,290,314**		**$0**
Reports for which management decision was made during the reporting period.	0	*Recommended for recovery*	*$0*	*$0*
		Not recommended for recovery	*$0*	*$0*
		Costs not disallowed	*$0*	*$0*
Reports for which no management decision has been made by the end of this reporting period.	1	$8,290,314		$0

[a] Unsupported values are included in questioned values.
[b] Carried over from previous reporting periods.

Appendix A.3—Inventory of Audit Reports with Recommendations that Funds Be Put to Better Use

CATEGORY	NUMBER	DOLLAR VALUE	
Reports for which no management decision had been made by April 1, 2014.[a]	4	$97,587,678	
Reports which were issued during the reporting period.	3	$31,184,934	
Total reports with recommendations that funds be put to better use	**7**	**$128,772,612**	
Of the 7 reports, those for which management decision was made during the reporting period.	3	*Disallowed costs*	*$76,495,145*
		Costs not disallowed	*$0*
Of the 7 reports, those for which no management decision has been made by the end of this reporting period.	4	$52,277,467	

[a] Carried over from previous reporting periods.

Appendix A.4—Contract Audit Reports with Significant Findings

OIG is required by the National Defense Authorization Act for FY 2008 to list all contract audit reports issued during the reporting period that contained significant findings. OIG did not issue any such reports from April 1, 2014 through September 30, 2014.

Appendix A.5—Program Improvement Recommendations

A significant number of our audit recommendations carry no monetary value per se, but their impact can be immeasurable in terms of safety, security, and public health. They can also contribute considerably toward economy, efficiency, and effectiveness in USDA's programs and operations. During this reporting period, we issued 125 program improvement recommendations, and management agreed to implement a total of 151 recommendations that were issued this period or earlier. Examples of those issued this period include the following (see the main text of this report for a summary of the audits that prompted these recommendations):

- OCIO needs to develop and implement the minimum physical and environmental controls required for each UTN site based on the security risk and priority of the site.

- APHIS needs to develop and implement a process to conduct assessments of risk for Preclearance Program activities, ensure measurable outcomes, and implement effective reporting processes.

Appendix A.6—Audit Reports

From April 1, 2014, through September 30, 2014, OIG issued 19 audit reports. During this same period, one Interim Report was issued. The following is a summary of those audit products by agency:

Audit Report Totals at Issuance:

Total funds that can be put to better use	$31,184,934
Total questioned costs and loans[a]	$190,074,336
[a] Unsupported costs, if any, are included in the questioned values.	

Interim Report Totals at Issuance:

Total funds that can be put to better use	$0
Total questioned costs and loans[a]	$8,290,314
[a] Unsupported costs, if any, are included in the questioned values.	

Summary of Audit Reports Released from April 1, 2014 through September 30, 2014:

AGENCY TYPE	AUDITS RE-LEASED	QUESTIONED COSTS AND LOANS [a]	UNSUPPORTED COSTS AND LOANS [a]	FUNDS TO BE PUT TO BETTER USE
SINGLE AGENCY AUDIT	14	$79,685,580	$0	$31,184,934
MULTIAGENCY AUDIT	5	$110,388,756	$43,516,842	$0
TOTAL COMPLETED UNDER CONTRACT [b]	0			
ISSUED AUDITS COM-PLETED UNDER THE SINGLE AUDIT ACT	0			

[a] Unsupported values are included in the questioned values.
[b] Audits performed by others.

Summary of Interim Reports Released from April 1, 2014 through September 30, 2014:

AGENCY TYPE	INTERIM RELEASED	QUESTIONED COSTS AND LOANS [a]	UNSUPPORTED COSTS AND LOANS [a]	FUNDS TO BE PUT TO BETTER USE
SINGLE AGENCY AUDIT	1	$8,290,314	$0	$0
MULTIAGENCY AUDIT	0	$0	$0	$0
TOTAL COMPLETED UNDER CONTRACT [b]	0			
ISSUED AUDITS COMPLETED UNDER THE SINGLE AUDIT ACT	0			

[a] Unsupported values are included in the questioned values.
[b] Audits performed by others.

Audit Reports Released and Associated Monetary Values from April 1, 2014 through September 30, 2014:

AUDIT TOTALS BY AGENCY	AUDIT NUMBER	RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS TO BE PUT TO BETTER USE
Animal & Plant Health Inspection Service: 1	33601-0001-23	09/25/14	Plant Protection Quarantine Preclearance Program			
Departmental Management (old Administration): 1	91099-0002-21	09/25/14	USDA StrikeForce Initiative	$2,685,000		
Farm Service Agency: 3	03601-0001-22	07/31/14	Farm Service Agency Compliance Activities			
	03601-0002-22	07/31/14	Economic Adjustment Assistance to Users of Upland Cotton	$2,418,897		
	03702-0001-31	09/29/14	Farm Service Agency Noninsured Crop Disaster Assistance Program			
Food and Nutrition Service: 1	27004-0001-22	09/25/14	States' Food Costs for the Special Supplemental Nutrition Program for Women, Infants, and Children	$9,189,789		$19,789,789
Multi-Agency: 5	50024-0005-11	04/15/14	Department of Agriculture's FY 2013 Compliance with the Improper Payments Elimination and Recovery Act of 2010			

AUDIT TOTALS BY AGENCY	AUDIT NUMBER	RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS TO BE PUT TO BETTER USE
	50024-0006-11	08/13/14	Fiscal Year 2013 Executive Order 13520, Reducing Improper Payments, High Dollar Overpayment Report Review			
	50099-0001-23	09/18/14	USDA's Controls Over Economy Act Transfers and Greenbook Program Charges	$43,516,842	$43,516,842	
	50501-0005-12	09/26/14	CIGIE Cloud Computing Initiative—Status of Cloud-Computing Environment Within USDA	$66,871,914		
	50703-0002-10	08/19/14	Lessons Learned from the Recovery Act: An OIG Perspective			
Natural Resources Conservation Service: 2	10601-0001-31	07/24/14	Environmental Quality Incentives Program			
	10601-0002-31	07/30/14	NRCS Conservation Easement Compliance			
Office of Chief Financial Officer: 2	11401-0007-11	09/25/14	SSAE No.16 Report on Controls at NFC for October 1, 2013 to July 31, 2014			
	11401-0008-11	09/25/14	Agreed-upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management			
Office of Chief Information Officer: 1	88501-0002-12	07/17/14	Management and Security Over USDA's Universal Telecommunications Network (UTN)	$132,688		

Office of Procurement and Property Management: 1	89901-0001-13	09/25/14	Review of USDA Contractor Databases			
Rural Housing Service: 1	04601-0001-31	07/18/14	Rural Development: Single Family Housing Direct Loan Servicing And Payment Subsidy Recapture	$38,032,751		
Rural Utilities Service: 1	09703-0002-22	08/14/14	Review of a Utility Company's Use of RUS Financial Assistance	$27,226,455		$11,395,145
	Grand Total: 19			$190,074,336	$43,516,842	$31,184,934

[a] Unsupported values are included in questioned values.

Interim Reports Released and Associated Monetary Values from April 1, 2014 through September 30, 2014:

AUDIT TOTALS BY AGENCY	AUDIT NUMBER	RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS TO BE PUT TO BETTER USE
Risk Management Agency: 1	05601-0003-31	09/11/2014	RMA: Rainfall and Vegetation Index Pilot Program—Pasture, Rangeland, Forage—Interim Report	$8,290,314		

Appendix A.7—Management Decision

In total, OIG has seven audits without management decision. Their details are provided in the tables below:

New for this Reporting Period

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt Decision (in dollars)
FAS	03/31/14	Private Voluntary Organization Grant Fund Accountability (07601-0001-22)	$ 694,127	$676,442
Total New For This Reporting Period: 1				

Audit Reports Previously Reported But Not Yet Resolved

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt Decision (in dollars)
FNS	07/31/13	FNS: Controls for Authorizing Supplemental Nutrition Assistance Program Retailers (27601-0001-31)	$77,300,000	$72,000,000
FS	03/28/13	Recovery Act—Forest Service Hazardous Fuels Reduction and Ecosystem Restoration on Non-Federal Lands (08703-0005-SF)	$91,773,548	$28,457,476
FSA	02/02/09	Hurricane Relief Initiatives: Livestock and Feed Indemnity Programs (03601-0023-KC)	$1,866,412	$427,276
Multi	11/15/11	FY 2011 Federal Information Security Management Act Report (50501-0002-12)	$0	$0
	11/15/12	FY 2012 Federal Information Security Management Act Report (50501-0003-12)	$0	$0
RMA	09/07/11	Citrus Indemnity Payments Resulting from 2005 Florida Hurricanes (05099-0029-At)	$44,059,385	$44,059,385
Total Previously Reported But Not Yet Resolved: 7				

Audits Without Management Decision—Narrative for New Entries

FAS: Private Voluntary Organization Grant Fund Accountability (07601-0001-22)

We found that FAS' Food for Progress Program continued to have similar, significant program management control weaknesses that have been identified in prior audits. FAS did not have effective controls in place to monitor and close out agreements. We accepted management decisions for 9 of the report's 11 recommendations. In the two recommendations without management decision, OIG directed the agency to recover unallowable or unsupported costs, and unreported interest claimed by a private voluntary organization. To reach management decision, the agency will need to provide a bill for collection or documentary evidence that the costs were allowable or supported.

Appendix A.8—Significantly Revised Management Decisions Made During the Reporting Period

We have no significantly revised management decisions for this reporting period.

Appendix A.9—Significant Management Decisions With Which the Inspector General is in Disagreement

We have no significant management decisions with which the Inspector General is in disagreement for this reporting period.

Appendix A.10—List of OIG Audits with Recommendations Pending Corrective Action for Period Ending September 30, 2014, by Agency

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
AGRICULTURAL MARKETING SERVICE						
01099000121	OVERSIGHT OF THE BEEF RESEARCH AND PROMOTION BOARD'S ACTIVITIES	03/29/13	1	0	1	0
01601000232	NATIONAL ORGANIC PROGRAM—ORGANIC MILK OPERATIONS	07/15/13	4	0	1, 2, 4, 5	0
50601000231	FSIS' AND AMS' FIELD-LEVEL WORKFORCE CHALLENGES	07/31/13	12	0	2, 3, 4, 8, 9, 10, 11, 22, 23, 24, 25, 26	0
TOTAL			17	0	17	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
ANIMAL AND PLANT HEALTH INSPECTION SERVICE						
336010003CH	SAFEGUARDS TO PREVENT ENTRY OF PROHIBITED PESTS AND DISEASES INTO THE UNITED STATES	03/29/13	2	0	1, 16	0
336010007CH	REVIEW OF CUSTOMS AND BORDER PROTECTION'S AGRICULTURAL INSPECTION ACTIVITIES	02/21/07	1	0	1	0
506010008TE	CONTROLS OVER APHIS ISSUANCE OF GENETICALLY ENGINEERED ORGANISMS RELEASE PERMITS	12/08/05	3	0	1, 2, 3	0
506010016TE	CONTROLS OVER GENETICALLY ENGINEERED ANIMAL AND INSECT RESEARCH	05/31/11	1	0	2	0
TOTAL			7	0	7	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
AGRICULTURAL RESEARCH SERVICE						
506010006TE	CONTROLS OVER PLANT VARIETY PROTECTION AND GERMPLASM STORAGE	02/10/06	6	0	1, 2, 3, 5, 6, 9	0
506010010AT	FOLLOWUP REVIEW ON THE SECURITY OF BIOHAZARDOUS MATERIAL AT USDA LABORATORIES	07/27/05	1	0	2	0
TOTAL			7	0	7	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
COMMODITY CREDIT CORPORATION						
064010020FM	MONITORING THE AUDIT OF CCC'S FISCAL YEAR 2005 FINANCIAL STATEMENTS	11/09/05	1	0	12	0
TOTAL			1	0	1	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
DEPARTMENTAL MANAGEMENT						
	NO AUDITS					
TOTAL			0	0	0	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
FOREIGN AGRICULTURAL SERVICE						
07601000122	PRIVATE VOLUNTARY ORGANIZATION GRANT FUND ACCOUNTABILITY	03/31/14	11		1, 2, 4, 6, 7, 8, 9, 10, 11	3, 5
50601000122	EFFECTIVENESS OF FAS' RECENT EFFORTS TO IMPLEMENT MEASURABLE STRATEGIES ALIGNED TO THE DEPARTMENT'S TRADE PROMOTION AND POLICY GOALS	03/28/13	5	0	1, 2, 3, 4, 5	
50601000216	SECTION 632 (a) TRANSFER OF FUNDS FROM USAID TO USDA FOR AFGHANISTAN	02/06/14	2	0	1, 2	
TOTAL			18	0	16	2

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
FOOD AND NUTRITION SERVICE						
27002001113	ANALYSIS OF FNS' SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM FRAUD PREVENTION AND DETECTION EFFORTS	09/28/12	3	0	3, 8, 9	0
270990049TE	FOOD STAMP PROGRAM FOR HURRICANES KATRINA AND RITA	09/04/07	1	0	1	0
27601000123	NATIONAL SCHOOL LUNCH PROGRAM FOOD SERVICE MANAGEMENT COMPANY CONTRACTS	01/03/13	9	0	1, 2, 3, 7, 8, 11, 12, 13, 15	0
27601000131	FNS: CONTROLS FOR AUTHORIZING SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM RETAILERS	07/31/13	20	0	1, 2, 3, 4, 8, 12, 13, 14, 15, 18, 19, 20	5, 6, 7, 9, 10, 11, 16, 17
276010012SF	REVIEW OF MANAGEMENT CONTROLS FOR THE CHILD AND ADULT CARE FOOD PROGRAM	11/18/11	9	0	1, 2, 3, 4, 9, 11,12, 13, 14	0
276010016AT	FOOD STAMP EMPLOYMENT AND TRAINING PROGRAM	03/31/08	1	0	1	0
27703000122	RECOVERY ACT IMPACTS ON SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM PHASE II	06/13/13	1	1	0	0
5060100014AT	EFFECTIVENESS AND ENFORCEMENT OF SUSPENSION AND DEBARMENT REGULATIONS IN THE U.S. DEPARTMENT OF AGRICULTURE	08/16/10	3	0	11, 12, 14	0
TOTAL			47	1	38	8

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
FARM SERVICE AGENCY						
030060001TE	1993 CROP DISASTER PAYMENTS—BROOKS/JIM HOGG COS., TEXAS	01/02/96	1	1A		
030060002SF	DISASTER ASSISTANCE PROGRAM—1994—FRESNO COUNTY, CALIFORNIA	03/29/96	1	4		
030990181TE	FARM SERVICE AGENCY PAYMENT LIMITATION REVIEW IN LOUISIANA	05/09/08	1	2		
036010007TE	EMERGENCY FEED PROGRAM IN TEXAS	09/18/96	3	4A, 5B, 6A		
036010012AT	TOBACCO TRANSITION PAYMENT PROGRAM—QUOTA HOLDER PAYMENTS AND FLUE-CURED TOBACCO QUOTAS	09/26/07	2	2, 6		
036010018CH	FARM SERVICE AGENCY FARM LOAN SECURITY	08/10/10	1		2	
036010023KC	HURRICANE RELIEF INITIATIVE: LIVESTOCK INDEMNITY AND FEED INDEMNITY PROGRAMS	02/02/09	2		4	5
036010028KC	BIOMASS CROP ASSISTANCE PROGRAM: COLLECTION, HARVEST, STORAGE AND TRANSPORTATION MATCHING PAYMENTS PROGRAM	05/30/12	3	16, 21, 24		
500990011SF	NATURAL RESOURCES CONSERVATION SERVICE AND FARM SERVICE AGENCY: CROP BASES ON LANDS WITH CONSERVATION EASEMENT—CALIFORNIA	08/27/07	2	2, 6		
506010015AT	HURRICANE INDEMNITY PROGRAM— INTEGRITY OF DATA PROVIDED BY THE RISK MANAGEMENT AGENCY	03/31/10	1	5		
50703000123	AMERICAN RECOVERY AND REINVESTMENT ACT, TRADE ADJUSTMENT ASSISTANCE FOR FARMERS PROGRAM	10/18/13	14	0	1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15	

TOTAL			31	14	16	1

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
FOOD SAFETY AND INSPECTION SERVICE						
24601000131	APPLICATION OF FSIS SAMPLING PROTOCOL FOR TESTING BEEF TRIM FOR E. COLI O157:H7	05/09/12	3	0	2, 4, 5	0
24601000141	FSIS—INSPECTION AND ENFORCEMENT ACTIVITIES AT SWINE SLAUGHTER PLANTS	05/09/13	4	0	3, 7, 8, 9	0
24601000331	FSIS *E.coli* TESTING OF BOXED BEEF	03/22/13	5	0	7, 8, 9, 11, 12	0
506010006HY	ASSESSMENT OF USDA'S CONTROLS TO ENSURE COMPLIANCE WITH BEEF EXPORT REQUIREMENTS	07/15/09	1	0	2	0
50601000123	USDA CONTROLS OVER SHELL EGG INSPECTIONS	11/30/12	4	0	1, 2, 3, 7	0
TOTAL			17	0	17	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
FOREST SERVICE						
08401000311	FOREST SERVICE'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2012 AND 2013	12/09/13	2	0	2, 5	0
086010001CH	EVALUATION OF FOREST SERVICE'S PROCESS TO OBTAIN AND GRANT RIGHTS-OF-WAY AND EASEMENTS	03/15/12	1	0	2	0
086010055SF	FOREST SERVICE'S ADMINISTRATION OF SPECIAL USE PROGRAM	06/16/11	2	0	2, 17	0
087030001AT	FOREST SERVICE'S USE OF RECOVERY ACT FUNDS FOR WILDLAND FIRE MANAGEMENT ON FEDERAL LANDS	09/28/12	8	0	1, 2, 3, 4, 5, 8, 9, 10	0
087030005SF	AMERICAN RECOVERY AND REINVESTMENT ACT FOREST SERVICE HAZARDOUS FUELS REDUCTION AND ECOSYSTEM RESTORATION PROJECTS ON NON-FEDERAL LANDS	03/28/13	18	0	1, 2, 3, 5, 6, 8, 12, 24, 26, 27, 30, 37, 38, 56, 57, 58	22, 23
TOTAL			31	0	29	2

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
NATIONAL AGRICULTURAL STATISTICS SERVICE						
26501000112	SECURITY REVIEW OF THE NATIONAL AGRICULTURAL STATISTICS SERVICE'S LOCKUP PROCEDURES	02/21/14	12	0	1, 2, 3, 4, 5, 6, 7, 9, 11, 12, 13, 17	
TOTAL			12	0	12	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
NATIONAL INSTITUTE OF FOOD AND AGRICULTURE						
NO AUDITS						
TOTAL			0	0	0	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
NATURAL RESOURCES CONSERVATION SERVICE						
10099000131	NRCS' ADMINISTRATION OF EASEMENT PROGRAMS IN WYOMING	09/27/13	5	0	1, 2, 3, 4, 7	0
10401000111	NRCS' FINANCIAL STATEMENTS FOR FISCAL YEAR 2011	11/08/11	3	0	3, 4, 5	0
10401000211	NRCS' FINANCIAL STATEMENTS FOR FISCAL YEAR 2012	11/09/12	5	0	1, 2, 3, 6, 7	0
104010002FM	NRCS' FINANCIAL STATEMENTS FOR FISCAL YEAR 2008	11/13/08	1	0	4	0

104010003FM	NRCS' FINANCIAL STATEMENTS FOR FISCAL YEAR 2009	11/04/09	2	0	4, 5	0
10401000311	NRCS' FINANCIAL STATEMENTS FOR FISCAL YEAR 2013	12/09/13	5	0	1, 2, 3, 4, 5	0
104010004FM	NRCS' FINANCIAL STATEMENTS FOR FISCAL YEAR 2010	11/08/10	1	0	5	0
10601000131	ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	07/24/14	3		1, 2, 3	0
106010004KC	NATURAL RESOURCES CONSERVATION SERVICE'S SECURITY PROGRAM	06/25/09	2	0	8, 9	0
10601000231	NRCS CONSERVATION EASEMENT COMPLIANCE	07/31/14	11	0	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11	0
107030001AT	RECOVERY ACT—REHABILITATION OF FLOOD CONTROLS DAMS	03/25/13	2	0	1, 5	0
107030001KC	NRCS AMERICAN RECOVERY AND REINVESTMENT ACT EMERGENCY WATERSHED PROTECTION PROGRAM FLOODPLAIN EASEMENTS PHASE 1	09/08/10	1	0	4	0
107030003KC	AMERICAN RECOVERY AND REINVESTMENT ACT, EMERGENCY WATERSHED PROTECTION PROGRAM FLOODPLAIN EASEMENTS, EASEMENT APPLICATIONS ON NON-AGRICULTURAL LAND	03/14/12	1	0	2	0
107030005KC	RECOVERY ACT—NRCS' EASEMENT WATERSHED PROTECTION PROGRAM FLOODPLAIN EASEMENTS FIELD CONFIRMATIONS	03/14/13	1	6	0	0
10704000132	NATURAL RESOURCES CONSERVATION SERVICE, MIGRATORY BIRD HABITAT INITIATIVE: NRCS' RESPONSE TO ISSUE CAUSED BY THE DEEPWATER HORIZON OIL SPILL	08/09/12	2	2	1	0
TOTAL			45	2	43	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
OFFICE OF THE ASSISTANT SECRETARY FOR CIVIL RIGHTS						
NO AUDITS						
TOTAL			0	0	0	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
OFFICE OF THE CHIEF FINANCIAL OFFICER						
50024000411	USDA IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010 COMPLIANCE REVIEW FOR FY 2012	03/14/13	1		3	
50024000511	USDA IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010 COMPLIANCE REVIEW FOR FY 2013	04/15/14	2		2, 4	
50401000311	DEPARTMENT OF AGRICULTURE'S CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS 2012 AND 2011	11/15/12	1		1	
TOTAL			4	0	4	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
OFFICE OF HOMELAND SECURITY AND EMERGENCY						
61701000132	CLASSIFICATION MANAGEMENT	09/27/13	17	0	1-17	
TOTAL			17	0	17	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
OFFICE OF THE CHIEF INFORMATION OFFICER						
505010001IT	USDA's MANAGEMENT AND SECURITY OVER WIRELESS HANDHELD DEVICES	8/15/2011	4	0	1, 2, 3, 4	
50501000112	USDA's CONFIGURATION, MANAGEMENT, AND SECURITY OVER DOMAIN NAME SYSTEM SERVERS	4/19/2012	1	0	3	
50501000212	FISCAL YEAR 2011 FEDERAL INFORMATION SECURITY MANAGEMENT ACT		7	0	1, 2, 3, 4, 5, 7	6
505010002IT	FISCAL YEAR 2010 FEDERAL INFORMATION SECURITY MANAGEMENT ACT		12	0	3-7, 9, 10, 14, 15, 17-19	
50501000312	USDA, OFFICE OF THE CHIEF INFORMATION OFFICER, FISCAL YEAR 2012 FEDERAL INFORMATION SECURITY MANAGEMENT ACT		6		2, 3, 4, 5, 6	1
50501000412	USDA, OFFICE OF THE CHIEF INFORMATION OFFICER, FISCAL YEAR 2013 FEDERAL INFORMATION SECURITY MANAGEMENT ACT		6	0	1, 2, 3, 4, 5, 6	
505010015FM	FISCAL YEAR 2009 FEDERAL INFORMATION SECURITY MANAGEMENT ACT		3	0	8, 9, 13	
88401000112	AUDIT OF THE OFFICE OF THE CHIEF INFORMATION OFFICER'S FY'S 2010 AND 2011 FUNDING RECEIVED FOR SECURITY ENHANCEMENTS	8/2/2012	3	0	1, 2, 4	
88501000112	REVIEW OF SELECTED CONTROLS OF THE EAUTHENTICATION SYSTEM	1/31/2013	1	0	5	
885010001IT	INTERNATIONAL TECHNOLOGY SERVICES SELECTED CONTROLS AUDIT	3/20/2012	4	0	2, 3, 4, 5	
TOTAL			47	0	45	2

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
RURAL DEVELOPMENT						
046010018CH	RURAL DEVELOPMENT'S RRH PROGRAM MAINTENANCE COSTS AND INSPECTION PROCEDURES	9/27/2012	6		1, 2, 3, 4, 5, 6	
047030002CH	CONTROLS OVER ELIGIBILITY DETERMINATIONS FOR SINGLE FAMILY HOUSING GUARANTEED LOAN RECOVERY ACT FUNDS (PHASE 2)	9/28/2011	23		3-18, 20, 23, 25- 29	
047030003HY	LOSS CLAIMS RELATED TO SINGLE FAMILY HOUSING GUARANTEED LOANS	2/25/2013	9	12	2, 7, 8, 15, 20- 23	
09703000122	RURAL UTILITIES SERVICE CONTROLS OVER RECOVERY ACT WATER AND WASTE LOANS AND GRANTS EXPENDITURES AND PERFORMANCE MEASURES	3/26/2013	3		1, 2, 3	
09703000132	AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009—BROADBAND INITIATIVES PROGRAM—PRE-APPROVAL CONTROLS	3/29/2013	1		3	
09703000232	AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009—BROADBAND INITIATIVES PROGRAM—POST-AWARD CONTROLS	8/22/2013	1		3	
340990002AT	BUSINESS AND INDUSTRY LOAN PROGRAM OMNIVEST RESOURCES INC.	9/14/2001	1		6	
34601000131	RURAL BUSINESS-COOPERATIVE SERVICE GRANT PROGRAM—DUPLICATION	3/25/2014	4		1, 2, 4, 5	
346010004AT	LENDER SERVICING OF BUSINESS AND INDUSTRY GUARANTEED LOANS	1/10/2003	5		1, 2, 3, 4, 7	
346010006AT	RURAL BUSINESS-COOPERATIVE SERVICE'S INTERMEDIARY RELENDING PROGRAM	6/25/2010	2	1	6	

346010015TE	NATIONAL REPORT ON BUSINESS AND INDUSTRY LOAN PROGRAM	9/30/2003	4		1, 2, 5, 9	
34703000132	AMERICAN RECOVERY AND REINVESTMENT ACT—BUSINESS AND INDUSTRY GUARANTEED LOANS—PHASE 3	3/29/2013	3		1, 2, 6	
347030002TE	AMERICAN RECOVERY AND REINVESTMENT ACT—BUSINESS AND INDUSTRY GUARANTEED LOANS, PHASE 2	12/5/2011	4		1, 2, 3, 4	
TOTAL			66	2	64	0

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
RISK MANAGEMENT AGENCY						
050990027AT	CITRUS INDEMNITY DETERMINATIONS MADE FOR 2004 HURRICANE DAMAGES IN FLORIDA	3/26/2007	1	1		
050990029AT	CITRUS CROP INDEMNITY PAYMENTS FROM HURRICANE WILMA IN FLORIDA	9/7/2011	1			2
05401000311	FEDERAL CROP INSURANCE CORPORATION / RISK MANAGEMENT AGENCY'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2013 AND 2012	12/12/2013	4		1, 2, 3, 4	
05601000131	CONTROLS OVER PREVENTED PLANTING	9/3/2013	2		1, 2	
056010004AT	CROP INSURANCE FOR SPECIALTY CROPS	3/14/2001	2	1, 3		
056010015TE	CROP LOSS AND QUALITY ADJUSTMENTS FOR AFLATOXIN-INFECTED CORN	9/30/2008	1	1		

50024000611	EXECUTIVE ORDER 13520, REDUCING IMPROPER PAYMENTS, FISCAL YEAR 2013 HIGH-DOLLAR OVERPAYMENT REPORT REVIEW	8/13/2014	2		2	1
TOTAL			13	4	7	2
GRAND TOTAL			**380**	**23**	**340**	**17**

List of OIG Interim Reports with Recommendations Pending Corrective Action for Period ending September 30, 2014

Audit Number	Audit Title	Issue Date	Total Number of Recs	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
RISK MANAGEMENT AGENCY						
5601000331(1)	RAINFALL AND VEGETATION INDEX PILOT PROGRAM—PASTURE, RANGELAND, FORAGE—INTERIM REPORT	9/11/2014	2			1, 2
TOTAL			2	0	0	2
GRAND TOTAL			**2**	**0**	**0**	**2**

Appendix A.11—Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to annually assess whether their financial systems comply substantially with (1) Federal Financial System Requirements, (2) applicable Federal accounting standards, and (3) the Standard General Ledger at the transaction level. In addition, the Federal Information Security Management Act of 2002 (FISMA) requires each agency to report significant information security deficiencies, relating to financial management systems, as a lack of substantial compliance with FFMIA. FFMIA also requires auditors to report in their annual Chief Financial Officer's Act financial statement audit reports whether financial management systems substantially comply with FFMIA requirements.

For FY 2013, USDA reported that it was not substantially compliant with FFMIA with regards to accounting standards, the Standard General Ledger at the transaction level, and FISMA requirements. The Department continues to move forward with remediation plans to achieve compliance by the end of FY 2014 for longstanding Departmentwide weaknesses related to systems security as well as noncompliance with accounting standards and the Standard General Ledger related to two component agencies. OIG will assess that progress, as required, during its audit of the Department's FY 2014 financial statements, which was in process as of the end of the reporting period.

Appendix B—Investigation Tables

Appendix B.1—Summary of Investigative Activities—April 2014-September 2014

Reports Issued: 156	Cases Opened	171
	Cases Referred for Prosecution	130
Impact of Investigations	Indictments	534
	Convictions [a]	339
	Searches	164
	Arrests	727
Total Dollar Impact (Millions): $142.8	Recoveries/Collections[b]	$1.8
	Restitutions[c]	$129.3
	Fines[d]	$1.6
	Asset Forfeitures[e]	$4.7
	Claims Established[f]	$5.1
	Cost Avoidance[g]	$0.2
	Administrative Penalties[h]	$0.1
Administrative Sanctions: 169	Employees	10
	Businesses/Persons	159

[a] Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 339 convictions do not necessarily relate to the 534 indictments.
[b] Includes money received by USDA or other Government agencies as a result of OIG investigations.
[c] Restitutions are court-ordered repayments of money lost through a crime or program abuse.
[d] Fines are court-ordered penalties.
[e] Asset forfeitures are judicial or administrative results.
[f] Claims established are agency demands for repayment of USDA benefits.
[g] Consists of loans or benefits not granted as the result of an OIG investigation.
[h] Includes monetary fines or penalties authorized by law and imposed through an administrative process as a result of OIG findings.

Appendix B.2—Indictments and Convictions

From April 1, 2014 through September 30, 2014, OIG completed 156 investigations. We referred 130 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 534 indictments and 339 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 339 convictions do not necessarily relate to the 534 indictments. Fines, recoveries/collections, restitutions, claims established, cost avoidance, and administrative penalties resulting from our investigations totaled about $142.8 million. The following is a breakdown, by agency, of indictments and convictions for the reporting period.

INDICTMENTS AND CONVICTIONS—April 1, 2014-September 30, 2014

Agency	Indictments	Convictions*
ARS	0	1
APHIS	31	29
FAS	1	1
FNS	463	278
FS	1	3
FSA	18	9
FSIS	9	6
NIFA	1	0
RBS	0	1
RHS	9	9
RMA	1	2
Totals	**534**	**339**
* This category includes pretrial diversions.		

Appendix B.3—OIG Hotline

The OIG hotline serves as a national intake point for reports from both employees and the general public of suspected incidents of fraud, waste, mismanagement, and abuse in USDA programs and operations. During this reporting period, the hotline received 2,214 complaints, which included allegations of participant fraud, employee misconduct, and mismanagement, as well as opinions about USDA programs. The following tables are a summary of the hotline complaints for the second half of FY 2014.

NUMBER OF COMPLAINTS RECEIVED

Type	Number
Employee Misconduct	112
Participant Fraud	1,829
Waste/Mismanagement	204
Health/Safety Problem	8
Opinion/Information	61
Bribery	0
Reprisal	0
Total Number of Complaints Received	**2,214**

DISPOSITION OF COMPLAINTS RECEIVED

Method of Disposition	Number
Referred to OIG Audit or Investigations for Review	72
Referred to Other Law Enforcement Agencies	3
Referred to USDA Agencies for Response	326
Referred to FNS for Tracking	1,504
Referred to USDA or Other Agencies for Information—No Response Needed	290
Filed Without Referral—Insufficient Information	15
Referred to State Agencies	4

Appendix C—Freedom of Information Act Activities

Table C.1—FOIA and Privacy Act (PA) Requests for the period April 1-September 30, 2014

FREEDOM OF INFORMATION ACT (FOIA) AND PRIVACY ACT (PA) REQUESTS FOR THE PERIOD APRIL 1, 2014 THROUGH SEPTEMBER 30, 2014

Categories	Type	Number
FOIA/PA Requests Received/Processed	**FOIA/PA Requests Received**	83
	Granted	13
	Partially Granted	16
	Not Granted	52
	Total FOIA/PA Requests Processed	**81**
Reasons for Denial	No Records Available	19
	Referred to Other Agencies	0
	Requests Denied in Full Exemption 5	2
	Requests Denied in Full Exemption 7(A)	8
	Requests Denied in Full Exemption 7(C)	3
	Request Withdrawn	20
	Fee-Related	0
	Not a Proper FOIA Request	0
	Not an Agency Record	0
	Duplicate Request	0
	Other	0
Requests for OIG Reports from Congress and Other Government Agencies	Received	0
	Processed	1
Appeals	**Appeals Received**	**5**
	Appeals Processed	**5**
	Completely Upheld	3
	Partially Reversed	2
	Completely Reversed	0
	Requests Withdrawn	0
	Other	0
	OIG Reports/Documents Released in Response to Requests	16

NOTE 1: A request may involve more than one report.
NOTE 2: During this 6-month period, **26** audit reports were posted online on the OIG Website: http://www.usda.gov/oig

Abbreviation	Full Name
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
CCC	Commodity Credit Corporation
CFC	Combined Federal Campaign
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CO	contracting officer
CSC	Centralized Servicing Center
EAAP	Economic Adjustment Assistance to Users of Upland Cotton Program
EBT	electronic benefits transfer
EQIP	Environmental Quality Incentives Program
FAS	Foreign Agricultural Service
FBI	Federal Bureau of Investigation
FCIC	Federal Crop Insurance Corporation
FDIC	Federal Deposit Insurance Corporation
FISMA	Federal Information Security Management Act of 2002
FFMIA	Federal Financial Management Improvement Act of 1996
FNS	Food and Nutrition Service
FS	Forest Service
FSA	Farm Service Agency
FSAN	Financial Statement Audit Network
FSIS	Food Safety and Inspection Service
FY	fiscal year
IAS	Integrated Acquisition System
IG	Inspector General
IPIA	Improper Payments Information Act
IRS	Internal Revenue Service
IRS-CI	Internal Revenue Service-Criminal Investigation
IT	information technology
NEST	National Easement Staging Tool
NFC	National Finance Center
NRCS	Natural Resources Conservation Service
OAO	Office of Advocacy and Outreach
OCI	Office of Compliance and Integrity
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OPM	Office of Personnel Management
OPPM	Office of Procurement and Property Management
PCFO	Principal Combined Fund Organizations
PPQ	Plant Protection and Quarantine
PRF	Pasture, Rangeland, Forage
RBS	Rural Business-Cooperative Service
RD	Rural Development
Recovery Act	American Recovery and Reinvestment Act of 2009

RMA	Risk Management Agency
RUS	Rural Utilities Service
SARC	Semiannual Report to Congress
SFH	Single Family Housing Program
SNAP	Supplemental Nutrition Assistance Program
TANF	Temporary Assistance for Needy Families
TIGTA	United States Treasury Inspector General for Tax Administration
UTN	Universal Telecommunications Network
USDA	U.S. Department of Agriculture
USPS-OIG	Office of the Inspector General for the U.S. Postal Service
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children

EXAMPLES OF PROGRAM IMPROVEMENT RECOMMENDATIONS MANAGEMENT AGREED TO DURING THIS REPORTING PERIOD (151 TOTAL)

- OCIO needs to develop and implement the minimum physical and environmental controls required for each UTN site based on the security risk and priority of the site.

- APHIS needs to develop and implement a process to conduct assessments of risk for Preclearance Program activities, ensure measurable outcomes, and implement effective reporting processes.

OIG's MISSION

OIG assists USDA by promoting effectiveness and integrity in hundreds of Department programs. These programs encompass a broad spectrum, involving such areas as food safety, consumer protection, nutrition, animal and plant health, agricultural production, agricultural product inspection and marketing, rural development, research, conservation, and forestry. They affect our citizens, our communities, and our economy.

OIG STRATEGIC GOALS

We have focused nearly all of our audit and investigative direct resources on our three goals:

- Strengthen USDA's ability to implement and improve safety and security measures to protect the public health as well as agricultural and Departmental resources.

- Reduce program vulnerabilities and strengthen program integrity in the delivery of program assistance.

- Provide USDA with oversight to help it achieve results-oriented performance.

To learn more about OIG, visit our website at
www.usda.gov/oig/index.htm

How To Report Suspected Wrongdoing in USDA Programs

Fraud, Waste, and Abuse

File complaint online: http://www.usda.gov/oig/hotline.htm
Click on Submit a Complaint

Telephone: 800-424-9121
Fax: 202-690-2474

Bribes or Gratuities
202-720-7257 (24 hours a day)

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