

2017 President's Budget
Office of Inspector General

Contents

Purpose Statement	14-1
Available Funds and Staff Years	14-2
Permanent Positions by Grade and Staff Year Summary	14-3
Motor Vehicle Fleet Data	14-4
Salaries and Expenses	
Appropriations Language and Explanation of Changes	14-6
Lead-off Tabular Statement.....	14-6
Summary of Increases and Decreases	14-6
Project Statements	14-7
Justification of Increases and Decreases	14-8
Geographic Breakdown of Obligations and Staff Years	14-10
Classification by Objects.....	14-11
Shared Funding Projects.....	14-12
Status of Programs.....	14-14
Summary of Budget and Performance:	
Statement of Department Goals and Objectives.....	14-27
Key Performance Measures.....	14-29
Program Evaluation.....	14-30
Full Cost by Department Strategic Goal.....	14-37

OFFICE OF INSPECTOR GENERAL

Purpose Statement

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

The OIG appropriation funds activities authorized by the Inspector General Act of 1978, as amended. This Act expanded and provided specific authorities for the activities of the Office of Inspector General, which had previously been carried out under the general authorities of the Secretary of Agriculture. The Office of Inspector General:

- a. Provides policy direction and conducts, supervises, and coordinates all audits and investigations relating to programs and operations of the Department of Agriculture.
- b. Reviews existing and proposed legislation and regulations and makes recommendations to the Secretary and the Congress regarding the impact such initiatives will have on the economy and efficiency of the Department's programs and operations and the prevention and detection of fraud, waste, and mismanagement in such programs.
- c. Recommends policies for and conducts, supervises, or coordinates other activities in the Department whose purposes are to promote economy and efficiency or prevent and detect fraud, waste, and mismanagement.
- d. Recommends policies for and conducts, supervises, or coordinates relationships between the Department and other Federal, State, and local government agencies in: (1) promoting economy; (2) preventing and detecting fraud, waste, and mismanagement; and (3) identifying and prosecuting individuals and groups involved in fraud, waste, and mismanagement.
- e. Keeps the Secretary and the Congress fully and currently informed about fraud, waste, mismanagement, deficiencies, and other serious problems in Department programs and operations; recommends corrective action; and reports on the progress made in correcting problems.

OIG is headquartered in Washington, D.C., with regional offices in the following cities: Beltsville, Maryland; Atlanta, Georgia; Chicago, Illinois; Temple, Texas; Kansas City, Missouri; and Oakland, California. As of September 30, 2015, OIG had 503 permanent full-time employees, including 95 employees located in the Washington, D.C., metropolitan area and 408 located in the field.

OFFICE OF INSPECTOR GENERAL

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

Item	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Enacted</u>		<u>2017 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Salaries and Expenses:								
Discretionary Appropriations...	\$89,902	494	\$95,026	503	\$95,738	531	100,998	539
Balance Available, SOY.....	2,570	-	900	-	96	-	-	-
Total Available.....	92,472	494	95,926		95,834	531	100,998	539
Lapsing Balances.....	-6,222	-	-2,284	-	-	-	-	-
Balance Available, EOY.....	-1,704	-	-900	-	-96	-	-	-
Obligations.....	84,546	494	92,742	503	95,738	531	100,998	539
<u>Obligations under other USDA appropriations:</u>								
Risk Management Agency								
Audit of Financial Statements.....	281	-	450	-	450	-	450	-
Food and Nutrition Services								
Audit of Financial Statements.....	1,006	-	1,006	-	1,006	-	1,006	-
Rural Development								
Audit of Financial Statements.....	1,000	-	1,000	-	1,000	-	1,000	-
OCFO/WCF Audits.....	800	-	800	-	800	-	800	
Council of the Inspectors General on Integrity and Efficiency (CIGIE) (Legal Services).....								
	40	-	22	-	-	-	-	-
Forest Service								
Audit of Financial Statements.....	400	-	400	-	400	-	400	-
Total, Other USDA.....	3,527	494	3,678	503	3,656	531	3,656	539
Total, OIG.....	88,073	494	96,420	503	99,394	531	104,654	539

OFFICE OF INSPECTOR GENERAL

Permanent Positions by Grade and Staff Year Summary

Item	<u>2014 Actual</u>			<u>2015 Actual</u>			<u>2016 Enacted</u>			<u>2017 Estimate</u>		
	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total	D.C.	Field	Total
ES.....	1	-	1	1	-	1	1	-	1	1	-	1
SES.....	9	-	9	9	-	9	9	-	9	9	-	9
GS-15.....	12	14	26	12	14	26	12	13	26	12	14	26
GS-14.....	36	53	89	29	60	89	33	56	89	33	56	89
GS-13.....	25	134	159	20	139	159	22	136	158	23	136	159
GS-12.....	9	97	106	9	97	106	9	101	109	9	103	112
GS-11.....	5	48	53	5	48	53	5	47	52	5	48	53
GS-9.....	14	17	31	12	19	31	12	20	32	14	21	35
GS-8.....	2	10	12	2	10	12	2	10	12	2	10	12
GS-7.....	4	21	25	3	22	25	4	25	29	4	25	29
GS-6.....	3	1	4	3	1	4	3	1	4	3	1	4
GS-5.....	6	4	10	6	4	10	6	4	10	6	4	10
Total Perm. Positions.	126	399	525	111	414	525	118	413	531	121	418	539
Unfilled, EOY	9	22	31	16	6	22	-	-	-	-	-	-
Total, Perm. Full-Time Employment, EOY.....	117	377	494	95	408	503	118	413	531	121	418	539
Staff Year Est	117	377	494	102	423	525	118	413	531	121	418	539

OFFICE OF INSPECTOR GENERAL

Motor Vehicle Fleet Data

Size, Composition, and Cost of Motor Vehicle Fleet

The 2017 Budget Estimates propose replacing 8 passenger motor vehicles.

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

Changes to the motor vehicle fleet. There will be no net change in motor vehicles from FY 2016.

Replacement of passenger motor vehicles. Eight 4x4 vehicles will be replaced by 7 4x2 vehicles, and 1 sedan/station wagon.

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

Size, Composition, and Annual Operating Costs of Vehicle Fleet

Fiscal Year	Number of Vehicles by Type *								Annual Operating Costs (\$ in 000) **
	Sedans and Station Wagons	Light Trucks, SUVs, and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles	Total Number of Vehicles	
		4x2	4x4						
2014	77	35	37	1	-	-	-	150	\$911
Change	+6	+13	-7	-1	-	-	-	+11	+113
2015	83	48	30	-	-	-	-	161	1,024
Change	-	+17	-16	-	-	-	-	+1	+126
2016	83	65	14	-	-	-	-	162	1,150
Change	+1	+7	-8	-	-	-	-	-	+200
2017	84	72	6	-	-	-	-	162	1,350

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

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

OFFICE OF INSPECTOR GENERAL

Statement of Proposed Purchase of Passenger Motor Vehicles

Fiscal Year	Net Active Fleet, SOY	Disposals	Acquisitions			Net Active Fleet, EOY
			Replacements	Additions to Fleet	Total	
2014	77		24		24	77
2015*	83	1	22		22	82
2016	83		3		3	83
2017**	84		8		8	84

*In FY 2015, OIG returned one vehicle and did not replace it. There were no plans to add any passenger motor vehicles.

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

OFFICE OF INSPECTOR GENERAL

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

Salaries and Expenses:

For necessary expenses of the Office of Inspector General, including employment pursuant to the Inspector General Act of 1978, [\$95,738,000] \$100,998,000, including such sums as may be necessary for contracting and other arrangements with public agencies and private persons pursuant to section 6(a)(9) of the Inspector General Act of 1978, and including not to exceed \$125,000 for certain confidential operational expenses, including the payment of informants, to be expended under the direction of the Inspector General pursuant to Public Law 95-452 and section 1337 of Public Law 97-98.

IG Reform Act of 2008

As directed by Section 8, Submission of Budget Request to Congress, of the Inspector General Reform Act of 2008 (P.L. 110-409), USDA is providing additional information regarding the OIG budget request. The OIG request for FY 2017 is \$100,998,000. Of this amount, \$302,994 is to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

Lead-off Tabular Statement

Budget Estimate, 2017.....	\$100,998,000
2016 Enacted.....	<u>95,738,000</u>
Change in Appropriation.....	<u>+5,260,000</u>

Summary of Increases and Decreases
(Dollars in thousands)

	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Change</u>	<u>2016</u> <u>Change</u>	<u>2017</u> <u>Change</u>	<u>2017</u> <u>Estimate</u>
Discretionary Appropriations:					
Audit.....	\$41,428	+ \$4,016	+ \$1,468	+ \$2,577	\$49,489
Investigations.....	43,118	+4,180	+1,528	+2,683	51,509
Total Discretionary Appropriations.....	<u>84,546</u>	<u>+8,196</u>	<u>+2,996</u>	<u>+5,260</u>	<u>100,998</u>

OFFICE OF INSPECTOR GENERAL

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

Program	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Enacted</u>		<u>Inc. or Dec</u>		<u>2017 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Audit Staff.....	\$44,052	252	\$46,563	257	\$46,912	274	\$2,577	8	\$49,489	282
Investigations Staff....	45,850	242	48,463	246	48,826	257	\$2,683	-	51,509	257
Total Appropriation....	89,902	494	95,026	503	95,738	531	5,260	8	100,998	539
Bal. Available, SOY.....	+2,570	-	+900	-	+96	-	-96			-
Total Available.....	92,472	494	95,926	503	95,834	531	5,164	8	100,998	539
Lapsing Balances.....	-6,222	-	-2,284	-	-	-	-	-	-	-
Bal. Available, EOY.....	-1,704	-	-900	-	-96	-	+96	-	-	-
Total Obligations.....	84,546	494	92,742	503	95,738	531	5,260	8	100,998	539

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

Program	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Enacted</u>		<u>Inc. or Dec</u>		<u>2017 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	Sys
Discretionary Obligations:										
Audit Staff.....	\$41,428	252	\$45,444	257	\$46,912	274	\$2,577	8	\$49,489	282
Investigations Staff....	43,118	242	47,298	246	48,826	257	\$2,683	-	51,509	257
Total Obligations.....	84,546	494	92,742	503	95,738	531	5,260	8	100,998	539
Lapsing Balances.....	+6,222	-	+2,284	-	-	-	-	-	-	-
Bal. Available, EOY.....	+1,704	-	+900	-	+96	-	-96	-	-	-
Total Available.....	92,472	494	95,926	503	95,834	531	5,164	8	100,998	539
Bal. Available, SOY.....	-2,570	-	-900	-	-96	-	+96	-	-	-
Total Appropriation....	89,902	494	95,026	503	95,738	531	5,260	8	100,998	539

OFFICE OF INSPECTOR GENERAL

Justification of Increases and Decreases

- (1) An increase of \$5,260,000 and 8 staff years (\$95,738,000 and 531 staff years available in 2016).

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

The funding change is requested for the following items:

- a. An increase of \$1,170,000 for pay costs (\$239,000 for annualization of the 2016 pay increase and \$931,000 for the 2017 pay increase).

This increase will allow OIG to continue to meet its objective to conduct and supervise audits and investigations relating to USDA programs and operations. This critical increase is needed to support and maintain current staffing levels to meet the demands and statutory requirements imposed on OIG. Elimination of the pay cost increase means the OIG would not be able to fund approximately 11 staff and/or would need to significantly cut travel, training, and mission support. Approximately 78 percent of our budget supports personnel compensation and benefits. We would have to accomplish this reduction in staff through attrition. The reduction would prevent us from fully performing our mission, as OIG would not be able to respond as quickly and thoroughly to the requests for technical assistance and reviews that we regularly receive from the Department and from members of Congress. The types of projects OIG would have to cancel or curtail include audits, investigations, and other reviews of critical areas such as SNAP fraud, farm program fraud, and information technology security breaches potentially involving compromise of personally identifiable information.

- b. An increase of \$1,100,000 and 8 staff years for oversight of USDA's Information Technology (IT) investments.

In FY 2014, USDA spent over \$2.7 billion on its top 50 IT investments. Recent audit results indicate that oversight of major IT investments is an emerging Departmental challenge. To be proactive, OIG proposes reviewing selected USDA IT investments throughout the planning, development, maintenance, and acquisition cycles. The objectives would be to identify systems that are: (1) being developed without USDA's knowledge and oversight; (2) not on schedule and/or over budget; (3) not producing the expected functionality; (4) inadequately tested prior to release; (5) being developed through contracts that do not contain detailed specifications and required security clauses; or (6) operating without appropriate agency and Departmental reviews of procurement, development, and operations. We would also review the Department's implementation of and compliance with the Federal Information Technology Acquisition Reform Act (FITARA) as FITARA requires effective IT planning, implementation of cybersecurity policies, and effective management of IT project acquisitions, costs, and budgets. With our current IT audit staff, we are unable to adequately review this critical area. If the requested resources are provided, OIG would review each selected investment's functionality, adherence to the development and implementation schedule, spending rate, testing procedures, security posture, compliance with National Institute of Standards and Technology standards, the Federal Information Security Management Act of 2002, the Federal Acquisition Regulation, and other Departmental guidance or requirements, and determine if appropriate contract types were utilized to procure these goods and services. The Offices of the Chief Information Officer and Chief Financial Officer support this initiative.

OFFICE OF INSPECTOR GENERAL

OIG is asking for \$1.1 million to fund eight IT audit positions, to include related travel and training. The first year, we would hire and train these auditors and begin the audit process. With a goal of completing 2 specific audits each year, OIG would start with those investments deemed at highest risk based on dollars spent, project length to completion, and duration of project development/implementation. This review would also include an analysis of the award and oversight of contracts associated with the investment. OIG proposes initiating as its first review, the Web Based Supply Chain Management (WBSCM); USDA spent \$35.8 million on this system in FY 2014 alone. This is a system with an integrated, internet-based commodity acquisition, distribution, and tracking system built on Systems, Applications and Products in Data Processing (SAP) commercial software and an Oracle platform. WBSCM supports domestic and international food and nutrition programs administered by four USDA agencies. Future audits could include USDA's significant investments in Cloud-based Systems, the Comprehensive Loan Program, the Public Health Information System, and Forest Service's Computer Base.

c. An increase of \$1,620,000 to establish an Audit Center of Excellence

This increase would allow OIG to establish an Audit Center of Excellence that would have an increased focus, with independent reviews on the 20 USDA administered programs that OMB has identified as susceptible to significant improper payments. Currently, seven component agencies administer these programs: Farm Service Agency (FSA), Commodity Credit Corporation, Food and Nutrition Service (FNS), Forest Service, Natural Resources Conservation Service (NRCS), Risk Management Agency (RMA), and Rural Development. This initiative would provide value for USDA programs and operations by focusing on independent reviews of agency program vulnerabilities, while enhancing the Department's oversight of improper payments through a data analysis component, which would determine if there are any data anomalies within the payments of USDA susceptible programs'. This would complement Audit's planning and execution of reviews to evaluate the methodology of the component's improper payment error rate. For example, RMA's Federal Crop Insurance Program is emphasized more and more as the primary risk management tool for American producers. Because of increased commodity price volatility due to climate/weather effects, the Federal Crop Insurance Program faces greater vulnerabilities and financial exposure.

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

d. An increase of \$1,370,000 for GSA Rental Payments and Space Modification

GSA Rental Payments have been decentralized within the Department. An original FY 2016 estimate of \$6.1 million was submitted in February 2015, in support of the shared cost of GSA rent across the continental United States. OIG has since received a revised FY 16 estimate in the amount of \$5.6 million, and the current FY 2017 estimate is \$5.9 million. To reduce our footprint in accordance with the President's mandate to reduce space and lease costs, OIG will be required to pay the total cost of the required buildout when downsizing, or "right sizing" a leased space. OIG may incur additional charges in order to make the space marketable and rentable, when returning it to GSA. Without complying with this condition, OIG will be responsible for paying rent for the entirety of the lease agreement. Increased funding will be used across all OIG units, and this short-term outlay will result in long-term cost savings for OIG.

OFFICE OF INSPECTOR GENERAL

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

State/Territory	<u>2014 Actual</u>		<u>2015 Actual</u>		<u>2016 Enacted</u>		<u>2017 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
California.....	9,072	53	11,431	65	11,179	67	11,793	67
Georgia.....	9,413	55	10,510	60	10,278	62	10,842	62
Illinois.....	8,728	51	9,772	57	9,555	59	10,081	59
Maryland.....	11,809	69	11,431	65	11,719	70	12,363	70
Missouri.....	18,826	110	19,360	105	20,013	107	21,112	109
Texas.....	9,755	57	10,325	56	10,998	56	11,602	56
District of Columbia.....	16,943	99	19,913	95	21,996	110	23,205	116
Obligations.....	84,546	494	92,742	503	95,738	531	100,998	539
Lapsing Balances.....	6,222	-	2,284	-	-	-	-	-
Bal. Available, EOY.....	1,704	-	900	-	96	-	-	-
Total, Available.....	92,472	494	95,926	503	95,834	531	100,998	539

OFFICE OF INSPECTOR GENERAL

Classification by Objects
(Dollars in thousands)

	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>	<u>2016</u> <u>Estimate</u>	<u>2017</u> <u>Estimate</u>
Personnel Compensation:				
Washington DC.....	\$7,974	\$8,613	\$9,041	\$9,735
Field.....	41,281	43,854	44,071	47,243
11 Total personnel compensation.....	49,255	52,467	53,112	56,978
12 Personnel benefits.....	18,622	20,395	20,841	22,238
13.0 Benefits for former personnel.....	10	10	10	10
Total, personnel comp. and benefits.....	67,887	72,872	73,963	79,226
Other Objects:				
21.0 Travel and transportation of persons.....	3,050	2,382	3,395	2,483
22.0 Transportation of things.....	186	65	178	186
23.1 Rental payments to GSA.....	73	5,316	5,558	5,860
23.2 Rental payments to others.....	439	439	421	439
23.3 Communications, utilities, and misc. charges....	2,015	1,160	1,749	1,826
24.0 Printing and reproduction.....	116	116	112	116
25.1 Advisory and assistance services.....	1,177	950	911	950
25.2 Other services from non-Federal sources.....	951	951	912	1,016
25.3 Other purchases of goods and services from Federal sources.....	1,911	2,271	2,334	2,420
25.4 Operation and maintenance of facilities.....	1,440	1,240	1,284	1,340
25.5 Research and development contracts.....	729	729	698	729
25.6 Medical care.....	732	732	702	732
25.7 Operation and maintenance of equipment.....	1,375	1,236	1,284	1,340
25.8 Subsistence and support of persons.....	85	80	81	85
26.0 Supplies and materials.....	555	555	532	555
31.0 Equipment.....	1,550	1,500	1,389	1,450
42.0 Insurance & Indemnities.....	275	148	235	245
Total, Other Objects.....	16,659	19,870	21,775	21,772
99.9 Total, new obligations.....	84,546	92,742	95,738	100,998
DHS Building Security Payments (included in 25.3).....		\$571	\$598	\$609
Position Data:				
Average Salary (dollars), ES Position.....	\$173,000	\$173,500	\$174,000	\$175,000
Average Salary (dollars), GS Position.....	\$95,400	\$95,900	\$96,500	\$97,800
Average Grade, GS Position.....	12.9	12.9	12.9	12.9

OFFICE OF INSPECTOR GENERAL

Shared Funding Projects
(Dollars in thousands)

	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>	<u>2016</u> <u>Enacted</u>	<u>2017</u> <u>Estimate</u>
Working Capital Fund:				
Administration:				
HR Enterprise System Management.....	-	-	\$3	\$3
Material Management Service Center.....	\$69	\$40	48	50
Procurement Operations Division.....	1	22	2	2
Mail and Reproduction Management.....	135	104	87	79
Integrated Procurement System.....	117	183	114	113
Subtotal.....	322	349	254	247
Communications:				
Creative Media & Broadcast Center.....	-	1	2	5
Correspondence Management:				
Correspondence Management.....	11	11	13	16
Finance and Management:				
NFC/USDA.....	186	150	133	127
Internal Control Support Services.....	-	-	-	13
Financial Management Services.....	429	404	413	429
Subtotal.....	615	554	546	568
Information Technology:				
NITC/USDA.....	266	317	431	456
Client Technology Services.....	141	619	84	82
Telecommunications Services.....	68	67	135	89
Subtotal.....	475	1,003	650	627
Total, Working Capital Fund.....	1,424	1,919	1,466	1,463

OFFICE OF INSPECTOR GENERAL

Shared Funding Projects
(Dollars in thousands)

	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>	<u>2016</u> <u>Enacted</u>	<u>2017</u> <u>Estimate</u>
Departmental Shared Cost Programs:				
1890's USDA Initiatives.....	\$15	\$14	\$15	\$15
Advisory Committee Liaison Services.....	-	-	-	-
Classified National Security Information.....	-	5	5	5
Continuity of Operations Planning.....	11	11	11	11
Emergency Operations Center.....	12	11	12	12
Facility and Infrastructure Review and Assessment.....	2	2	2	2
Faith-Based Initiatives and Neighborhood Partnerships.....	1	2	2	2
Federal Biobased Products Preferred Procurement Program..	2	-	-	-
Hispanic-Serving Institutions National Program.....	11	9	10	10
Honor Awards.....	-	-	-	-
Human Resources Transformation (inc. Diversity Council).	9	9	9	9
Identity & Access Management (HSPD-12).....	36	34	34	34
Intertribal Technical Assistance Network.....	-	-	-	-
Medical Services.....	5	8	11	11
People's Garden.....	3	4	3	3
Personnel Security Branch (was PDSD).....	50	42	43	43
Pre-authorizing Funding.....	19	19	19	19
Retirement Processor/Web Application.....	3	3	3	3
Sign Language Interpreter Services.....	7	-	-	-
TARGET Center.....	5	7	7	7
USDA 1994 Program.....	4	4	4	4
Virtual University.....	10	10	10	10
Visitor Information Center.....	1	-	-	-
Total, Departmental Shared Cost Programs.....	207	196	202	202
E-Gov:				
Budget Formulation and Execution Line of Business.....	1	1	1	1
Enterprise Human Resources Integration.....	12	11	10	10
Rulemaking.....	-	-	-	-
E-Training.....	14	14	11	-
Financial Management Line of Business.....	1	1	1	-
Human Resources Line of Business.....	1	1	1	1
Integrated Acquisition Environment - Loan and Grants....	10	10	-	-
Integrated Acquisition Environment.....	4	3	8	4
Recreation One-Stop.....	-	-	-	-
Total, E-Gov.....	43	41	32	16
Agency Total.....	1,674	2,156	1,700	1,681

OFFICE OF INSPECTOR GENERAL

Status of Programs

The Office of Inspector General (OIG) operates independently from the other agencies within the Department. OIG has the responsibility to: (1) supervise, coordinate, and provide policy direction for audit and investigative activities relating to programs and operations of the Department; (2) review existing and proposed legislation and regulations relating to its programs and operations and make recommendations concerning the impact of such on the Department; (3) recommend policies and conduct, supervise, or coordinate other activities of the Department for the purpose of promoting economy and efficiency and preventing and detecting fraud, waste, and mismanagement in its programs and operations; (4) keep the Secretary and Congress informed of fraud and other serious problems such as waste, and deficiencies relating to the administration of programs and operations of the Department; and (5) recommend corrective action and report on progress made in obtaining management's agreement to implement such action.

During 2015, OIG issued 280 investigative reports, 36 audit reports and two reports for non-audit services. Audit and investigative results totaled over \$1,247 million in savings to the Department. OIG investigations resulted in 567 indictments and 817 convictions. The period of time to obtain results following an indictment varies widely; therefore, the 817 convictions are not necessarily related to the 567 indictments. Our return on investment is \$11.04 for every dollar invested in OIG in 2015.

Audit Monetary Results (in millions). During 2015, management decisions were made on 37 audit reports, which included both current and prior year audit reports. At the time of report issuance, the monetary values agreed to by agencies were:

	<u>(in millions)</u>
Questioned and unsupported costs and loans	\$797.5
Funds to be put to better use	<u>17.7</u>
Total audit monetary results	815.2

<u>Investigative Monetary Results:</u>	<u>(in millions)</u>
Claims established	\$28.9
Recoveries and collections	77.3
Cost avoidance (USDA program payments not made due to OIG investigations)	0.5
Fines	53.3
Administrative Penalties	1.2
Asset forfeitures	17.8
Restitution	<u>252.3</u>
Total investigative monetary results	431.3

OIG's audit and investigatory work for 2015 is summarized below in three main challenge areas that we have identified for the U.S. Department of Agriculture (USDA). These areas – (1) safety and security measures to protect public health and resources; (2) integrity of benefits and entitlements programs, and (3) USDA's management improvement initiatives – serve as both a roadmap for OIG's audit and investigatory work and as the main groupings for this Status of Program Report.

(1) Safety, Security, and Public Health: Strengthen USDA's ability to implement safety and security measures to protect the public health, as well as agricultural and Departmental resources.

USDA ensures, as a part of its mission, that the Nation's commercial supply of imported or domestic meat, poultry, and egg products is safe, wholesome, and correctly labeled. Challenges to this include food-borne illnesses and the unintentional or intentional adulteration of meat and other food products. Protection of America's animal and plant resources requires that they are safeguarded from exotic invasive pests and that trade issues relative to animal and plant health are resolved. However, the greater challenge is to ensure that the programs are working and properly administered so that the safety risk to those who consume the food products is minimized. The challenge is associated with ensuring a safe, secure, and healthy American agricultural system and economy.

OFFICE OF INSPECTOR GENERAL

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

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

Highlights of Current Audit Work:

- Audit of Forest Service's Next Generation and Legacy Air Tanker Contract Awards: OIG's objectives are to determine if the Forest Service's next generation (NEXT GEN) and legacy air tanker contracts were properly solicited, competed, and awarded in accordance with the Federal Acquisition Regulation and that contract modifications are within the scope of the original award.
- Food Safety and Inspection Service (FSIS) Follow-up on 2007 and 2008 Audit Initiatives: OIG's objectives, in our current work, are to evaluate the corrective actions taken by the Food Safety and Inspection Service (FSIS) to implement prior Office of Inspector General (OIG) audit recommendations in Audit Report 24601-0007-KC, *Evaluation of FSIS Management Controls Over Pre-Slaughter Activities*, and Audit Report 24601-07-Hy, *Issues Impacting the Development of Risk-Based Inspection at Meat and Poultry Processing Establishments*. Based on the recommendations in the prior OIG reports, these corrective actions include areas such as FSIS': (1) internal controls, (2) staffing and supervision of in-plant inspectors, (3) inspection activities in accordance with the Humane Methods of Slaughter Act, and (4) removal of specified risk materials (e.g. brain, skull, spinal cord, distal ileum, etc.). As part of this audit, we address questions/concerns we received in a Congressional request related to FSIS' staffing and management decisions for livestock slaughter establishments. Specifically, we address whether FSIS has controls in place to ensure that the right mix of human capital is in place, adequately trained, and properly performing pre-slaughter and humane handling activities.
- Evaluation of FSIS Equivalency Assessments of Exporting Countries: OIG's objectives are to evaluate FSIS' determinations that exporting countries' food safety systems are equivalent to the United States' standards and that FSIS has adequate oversight controls to ensure that foreign systems remain equivalent. We will also evaluate the effectiveness of corrective actions implemented by FSIS for prior OIG audits in 2005 and 2008.
- Agricultural Research Services (ARS): U.S. Meat Animal Research Center, OIG's objectives are to review the research practices and operations of the U.S. Meat Animal Research Center (MARC) to evaluate the concerns expressed by Congress and reported by the media regarding animal welfare. We will also examine the Agricultural Research Service's (ARS) oversight and monitoring of MARC, as it relates to animal welfare.

Highlights of Current Investigations

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

- Food Safety Issues: OIG will continue to investigate allegations that individuals engage in criminal behavior which endangers the wholesomeness of the food supply within USDA's purview.

Smuggling of Prohibited Items. OIG continues to investigate allegations received involving the smuggling of prohibited poultry, meat, or other items into the United States that pose a threat to American agriculture and the safety of American consumers. Among the potential dangers caused by smuggled goods is the introduction of foreign plant and animal pests which have no natural enemies in the U.S. (e.g., the emerald ash borer and the Asian long-horned beetle), which can result in the devastating destruction of native species. OIG will also investigate

OFFICE OF INSPECTOR GENERAL

alleged smuggling and other improprieties involving the export of adulterated or unsafe poultry, meat, and other USDA-regulated items.

Homeland Security. OIG has an essential role in working with other governmental agencies to protect our Nation's agricultural resources, as well as its meat and poultry production facilities and research laboratories.

Threats to USDA Employees and Facilities. OIG vigorously investigates threats or harm done to USDA employees and facilities, whether by a disgruntled employee, a dissatisfied customer, or individuals and outside organizations attempting to influence policy through intimidation or violence. OIG works with other Departments and law enforcement agencies to proactively protect our employees and facilities and to investigate when USDA employees are threatened or harmed in the course of their duties.

Selected Examples of Recent Progress – Audit:

FSIS Ground Turkey Inspection and Safety Protocols. OIG determined that FSIS could improve how it monitors the safety of turkey products. OIG found that the three turkey plants that participated in the Salmonella Initiative Program (SIP) either did not increase pathogen sampling when they exceeded the allowable number of Salmonella positive test results, or they did not implement their pathogen interventions at the control limits outlined in their agreement. Further, we identified that, while FSIS noncompliance records (NR) adequately documented failures to comply with regulations, they were not always adequate indicators of potential problems with the plants' food safety system. Additionally, we found that FSIS did not have a formal process to periodically update its directives. We found that FSIS could improve its pathogen sampling system to enhance food safety. FSIS' current sampling approach does not allow FSIS to regularly sample over 60 percent of U. S. turkey slaughter plants, over 75 percent of the active processing plants, or the over 11 million pounds of ground turkey products imported during calendar years 2012 and 2013. Finally, we noted that five slaughter plants had flaws in the implementation and documentation of their prerequisite programs (programs applied by industry to ensure that food safety hazards are not reasonably likely to occur). The more robust a plant's prerequisite program is, the more likely it is that the turkey products produced at the plant will be safe for human consumption. The agency agreed with our recommendations and we were able to reach management decision on all recommendations.

Implementation of the Public Health Information System for Domestic Inspection. FSIS launched the web-based Public Health Information System (PHIS) in April 2011 as an effort to collect and analyze near real-time food safety data. As of January 2012, FSIS in-plant personnel were using the domestic module of PHIS to record inspection results. During our visits to establishments in 2012 and 2013, we observed inspectors using PHIS, although they were only able to do so with an adequate internet connection. While OIG agrees that PHIS is used in establishments nationwide, we identified weaknesses during its design and implementation. This included cost overruns during PHIS development, inconsistent plant internet connection, and inaccurate establishment profiles. We also found that inspectors were not always utilizing a function in PHIS that let them record reasons that inspection tasks were incomplete. In addition, we found issues with FSIS access privileges for separated employees and prior PHIS-related OIG audit recommendations that were not properly implemented. OIG's work did not identify contaminated or uninspected product released into commerce as a result of identified weaknesses. The weaknesses occurred because FSIS did not implement sufficient internal controls to effectively monitor and evaluate the performance of PHIS, and ensure that the system was accessible, that it was operating as designed, and that its information was both complete and accurate. FSIS' policy placed the responsibility on inspection personnel to ensure that data were accurate and complete. FSIS generally agreed with our recommendations, but expressed concerns with our findings.

Genetically Engineered Organisms. The USDA Animal and Plant Health Inspection Service (APHIS) oversees the environmental release of genetically engineered (GE) organisms that may pose a risk to plant health. In our 2005 assessment, we found weaknesses in APHIS' regulations and internal management controls that increased the risk that regulated GE organisms inadvertently would persist in the environment before those GE organisms were deemed safe to grow without regulation. Our current review found that APHIS has not implemented the agreed upon corrective actions for 3 of the 28 recommendations from a 2005 report, nor has the agency developed a timeline for resolving these recommendations, which included consolidating regulations for minimizing inadvertent release of GE material, regulating the movement of GE seeds, and incorporating additional authority to control noxious weeds. Furthermore, weaknesses still exist in relation to three recommendations for which corrective

OFFICE OF INSPECTOR GENERAL

actions were implemented regarding progress reporting, inspection site selections, and sanctions for noncompliance. Specifically, we found that APHIS does not (1) have adequate controls in place to monitor field trial locations; (2) have a written process for selecting permits for inspection based on risk; (3) maintain a compliance database that is complete, accurate, and consistent; (4) use compliance history in approving applications for permits or notifications; and (5) maintain sufficient records of a petition's progress through the review process. Overall, we concluded that APHIS needs to take steps to tighten its control and oversight over the release of GE organisms into the environment. The agency agreed with our recommendations and we were able to reach management decision on the majority of the recommendations.

Selected Examples of Recent Investigations:

Food Safety and Defense - Theft. OIG's investigation to identify individuals responsible for the theft of truckloads of frozen meat, apparel, beer, and appliances resulted in a father and son being sentenced in Federal court in Missouri in March 2015. The father was sentenced to 15 years and 8 months in Federal prison without parole. The son was sentenced to 9 years and 2 months without parole. The court also ordered them to pay nearly \$1 million in restitution and a forfeiture money judgement of \$1.3 million. The thefts posed hazards to public safety both because the stolen meat could become unsafe to consume if not kept at proper temperatures and the trucks and trailers could become unsafe if not properly maintained. Other individuals have previously been found guilty or pled guilty to charges including possession of stolen goods in interstate commerce; conspiracy in causing the receipt, possession, and sale of stolen meat products transported in interstate commerce; and aiding and abetting. Other organizations involved in this investigation included the Federal Bureau of Investigation (FBI); the Kansas City, Missouri, Police Department; the Missouri State Highway Patrol; the National Insurance Crime Bureau; and the U.S. Department of Transportation.

Falsification of Certificates - Smuggling. A salesman representing numerous lumber companies engaged in fraudulent transactions totaling more than \$1 million with international customers in Poland, Vietnam, Egypt, and China, as well as with U.S. companies. The salesman transmitted fraudulent phytosanitary certificates with the forged signature of an APHIS inspector in order to gain the confidence of his potential foreign customers and induce them to wire funds to him. At times, he sent uninspected wood products to his foreign victims, and sometimes he sent no products at all. Our investigation also revealed that the salesman was a fugitive from justice being sought in five States from Florida to Colorado on a total of eight open warrants. In October 2012, the timber salesman and his fiancée were arrested and charged with wire fraud and conspiracy to commit wire fraud. Two other co-conspirators, one of whom was the salesman's estranged wife, were arrested later and were also charged in U.S. District Court, Southern District of New York, with wire fraud and conspiracy to commit wire fraud. The salesman was also charged with aggravated identity theft and was sentenced in 2014 to 116 months imprisonment followed by 36 months' supervised release and was ordered to pay \$999,989 in restitution. The salesman's fiancée entered into a deferred prosecution agreement with the government. The salesman's estranged wife was sentenced to 36 months' probation including 8 months of home confinement, and the fourth co-conspirator was sentenced in December 2014 to 36 months' supervised release. These last two individuals sentenced were also ordered to pay restitution totaling approximately \$406,000.

Food Safety and Defense - Misbranding. In August 2010, a nationwide outbreak of *Salmonella enteritidis* was traced back to an Iowa egg company. The company recalled 550 million eggs and sparked a criminal investigation into the food poisoning case. Our joint investigation with the FBI and Food and Drug Administration revealed that employees at the company's egg processing facilities affixed false labels to egg shipments that indicated false expiration dates with the intent to mislead State regulators and retail egg customers regarding the true age and freshness of the eggs. We also found that the company's former marketing manager bribed an Agricultural Marketing Service (AMS) employee to ignore the improper practices. The company pled guilty to introducing misbranded eggs into interstate commerce with the intent to defraud. In April 2015, the owner and the chief operating officer were each sentenced to serve 3 months in prison, followed by 12 months of supervised release, and pay a fine of \$100,000. Additionally, in April 2015, the company was sentenced to serve 36 months of probation and was ordered to pay a fine of \$6.79 million, restitution in the amount of \$83,008, and a special assessment of \$925. The former marketing manager who bribed the AMS employee pled guilty to one count of conspiracy to bribe a public official, selling restricted eggs with the intent to defraud, and introducing misbranded food into interstate commerce. In June 2015, in U.S. District Court, Northern District of Iowa, the employee was sentenced to

OFFICE OF INSPECTOR GENERAL

48 months of probation and ordered to pay a \$100 fine. The AMS employee who accepted the bribes is now deceased.

Threats to USDA Employees and Facilities - False Statements. In June 2015, in U.S. District Court, District of Oregon, the former vice president and the former director of maintenance of a helicopter business were sentenced for submitting fraudulent information to the Forest Service (FS) about the lift capabilities of their helicopters in order to obtain FS helicopter fire-fighting contracts. Company pilots used this information, which led to a helicopter crash in August 2008 where nine people were killed, including one FS employee. The former vice president was sentenced to 151 months in prison, followed by 36 months of supervised release. The former director of maintenance was sentenced to 25 months in prison, followed by 36 months of supervised release. Our investigation, conducted jointly with the Department of Transportation OIG, determined that these two individuals knowingly submitted falsified performance charts, as well as falsified aircraft weight and balance (W&B) documents, to FS as part of the company's contract proposals. Without the falsified performance charts, the majority of the company's helicopters would not have been capable of meeting the contract payload specifications. Following the August 2008 crash, the National Transportation Safety Board (NTSB) determined that the pilots of the helicopter unknowingly relied upon a falsified performance chart and falsified W&B documents in calculating the helicopter's maximum allowable payload. NTSB determined that, by depending on these falsified documents, the pilots unknowingly exceeded the aircraft's maximum allowable payload by 1,458 pounds, which was a major contributing factor to the crash.

Food Safety and Defense - False Statements. In April 2014, in U.S. District Court of Utah, Central Division, a company that circumvented a ban on U.S. beef exports to Japan was ordered to pay a \$1 million fine. The ban on certain types of U.S. beef exports was put in place several years ago by Japan and China to reduce the potential for the *bovine spongiform encephalopathy* (BSE), commonly known as mad cow disease, to be introduced into their respective food supplies. OIG and the FBI opened a joint investigation on a Salt Lake City corporation that exported food products worldwide. In March 2014, a misdemeanor was filed charging the Salt Lake City corporation with one count of making a false statement to USDA. In April 2014, the corporation pled guilty to the charge. Information regarding this case was sealed by the Federal Court until July 2015, when a final decision was made by the U.S. not to pursue a civil action against the company.

Animal and Plant Health Inspection Services – Possession with Intent to Distribute 9 Kilograms of Cocaine. An employee of a non-profit citrus trade association, who had access to USDA-owned vehicles and resources as part of a cooperative agreement with APHIS, was found to be selling illegal narcotics. During an undercover operation, the employee sold illegal narcotics to undercover officers while he used a USDA-owned vehicle and attempted to transport approximately 9 kilograms of cocaine. In October 2014, the employee was charged with one count of possession with intent to distribute 9 kilograms of cocaine and one count of being a felon in possession of a firearm. In July 2015, the man was sentenced in the U.S. District Court for the Southern District of Texas to 135 months in prison to be immediately followed by 60 months of supervised release. The sentence was enhanced by the Court as he possessed a dangerous weapon and used Facebook to advertise he had access to U.S. government vehicles to transport drugs north from the Mexican border. The investigation was conducted jointly with Immigration and Customs Enforcement-Homeland Security Investigations, and the McAllen, Texas, Police Department.

(2) Integrity of Benefits: Reduce program vulnerabilities and strengthen program integrity in the delivery of program assistance.

USDA works to harness the Nation's agricultural abundance with a goal of ending hunger and improving nutrition and health throughout the country and the world. Benefit and entitlement programs in USDA include many programs that provide payments directly to those individuals or entities in need of support in order to achieve the goals of USDA. These benefit programs, which receive substantial levels of funding, are also susceptible to misuse by organized groups and individuals.

- USDA helps rural communities develop, grow, and improve their quality of life by providing financial and technical resources to areas of greatest need. Programs include those that help build competitive businesses and community facilities and low-to moderate-income housing. Other programs establish and sustain agricultural cooperatives, and provide modern, affordable utilities. Again, there is potential for misuse of

OFFICE OF INSPECTOR GENERAL

the funds that USDA administers by organizations and individuals. The challenge is associated with ensuring the integrity of USDA's entitlements and benefits programs, particularly those related to nutrition, farm programs, and rural communities.

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

Highlights of Current Audit Work:

USDA Monitoring of Highly Erodible Land and Wetland Conservation Violations Compliance. OIG is evaluating the processes used by the Natural Resources Conservation Service (NRCS) and the Farm Service Agency (FSA) to identify and monitor the proper disposition of compliance violations related to the highly erodible land conservation (HELCS) and wetland conservation (WC) provisions of the Food Security Act of 1985. Specifically, we will assess the internal controls in place to identify violators of HELCS and WC provisions and ensure that appropriate actions in accordance with USDA programs are taken against identified violators.

Coordination of USDA Farm Program Compliance – Farm Service Agency, Risk Management Agency, and Natural Resources Conservation Service. OIG is evaluating the coordination among the FSA, Risk Management Agency (RMA), and NRCS to identify the overall farm program controls in place to ensure compliance with program requirements and minimize improper payments. We are looking at the agencies' sharing and use, or potential sharing and use, of producers' data for compliance activities.

Food and Nutrition Services Controls over SNAP Benefits for Able-Bodied Adults Without Dependents. OIG's objective is to determine whether the Food and Nutrition Service's (FNS) oversight of State agency controls is adequate to ensure that only eligible able-bodied adults without dependents are receiving SNAP benefits.

Supplemental Nutrition Assistance Program Administrative Costs. OIG's objective is to evaluate FNS' controls over SNAP administrative costs. Specifically, we will determine if States are effectively and efficiently controlling costs and minimizing variances.

Intermediary Relending Program. OIG's objective is to determine the effectiveness of the corrective actions implemented by Rural Business-Cooperative Service's (RBS) officials as a result of OIG's audit report issued in June 2010. Specifically, we will determine if RBS' corrective actions have been effective at eliminating or reducing previously identified issues, including loans made for ineligible purposes, loans exceeding loan limits, loans made in non-rural areas, and intermediaries promptly relending funds.

Highlights of Current and Planned Investigations Work:

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

Food and Nutrition Service Supplemental Nutrition Assistance Program and Special Supplemental Nutrition Program for Women, Infants, and Children. Participation in Supplemental Nutrition Assistance Program (SNAP) has reached record numbers in the last several years. OIG has seen an increase in its investigations of fraud in this program. OIG will continue to use all available investigative tools to investigate SNAP fraud. We will leverage financial information and explore trends in fraudulent SNAP activities by electronic benefit transfer (EBT), to determine vulnerabilities, critical risks, and gaps in program controls. Whenever possible, we will use asset forfeiture to disrupt and dismantle organized SNAP fraud/money laundering activities. OIG will continue to work closely with FNS, as well as State and local law enforcement entities that have a joint interest, to investigate these violations.

OFFICE OF INSPECTOR GENERAL

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

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

Selected Examples of Recent Progress – Audit:

Section 2501 Program Grants Awarded FYs 2010-2011. OIG reviewed how the Office of Advocacy and Outreach (OAO) administered \$20 million in grant funding for each of FY 2010 and 2011 for its Section 2501 Program. This program reaches out to socially disadvantaged farmers, ranchers, and forest landowners to increase participation in USDA programs. OIG found a pattern of broad and pervasive mismanagement of OAO grant funds in FYs 2010 and 2011. This occurred because grant approval processes were informal and undocumented and regulatory processes were disregarded:

- OAO improperly funded Section 2501 Program grants in FYs 2010 and 2011, which resulted in a potential Anti-Deficiency Act (ADA) violation totaling over \$20 million.
- OAO approved grants to applicants who may not have been the most meritorious. We questioned 118 grants totaling over \$38 million.
- OAO did not ensure that grantees adhered to regulations or the terms and conditions of their grant agreements, and performed limited monitoring of the grantees.

Our prior reviews have exposed similar concerns regarding OAO's administration of the Section 2501 Program for FY 2012. However, none of the individuals responsible for the administration of the Section 2501 Program during the years covered by our prior audits are currently employed by OAO. In addition, the Department has been developing and implementing internal controls and procedures as a result of our prior audit work. Due to the seriousness of the problems we have found with OAO's administration of this program, we recommended that the Assistant Secretary for Administration more closely monitor OAO's administration of this program. We accepted management decision for all recommendations.

USDA Beginning Farmers and Ranchers Programs. The Secretary of Agriculture has emphasized providing assistance to beginning farmers, and USDA agencies have provided significant financial resources and technical support to assist in the establishment and sustainability of farming operations. However, in our 2015 report, we found that during the period under review, FYs 2012 and 2013, the Department lacked sufficient performance goals, direction, coordination, and monitoring of this program to ensure success. In 1982 and again in 2007, the Government Accountability Office (GAO) reported that the Department needed to measure its effectiveness for its beginning farmers and ranchers assistance. As a result, USDA cannot ensure that the \$3.9 billion of beginning farmers' assistance in FYs 2012 and 2013 has achieved effective and measurable outcomes. However, in early 2014, the Deputy Secretary brought together representatives from across the Department to focus on assisting beginning farmers and ranchers. USDA also unveiled a new website that provides a centralized, one-stop resource where beginning farmers and ranchers can explore the variety of USDA assistance programs designed to help them succeed. The Department concurred with our recommendations.

Food Nutrition Service Quality Control Process for SNAP Error Rate. FNS' SNAP benefits is the Nation's largest food assistance program. It allows eligible, low-income households to afford a more nutritious diet. Since FY 2010, FNS' SNAP has served on average more than 45 million people per month and paid out more than \$71 billion annually in benefits. States determine household eligibility for SNAP and calculate and issue benefits. FNS and State agencies have quality control (QC) processes to review these determinations. States review a sample of their SNAP cases and FNS verifies a sub-sample of these. The results are used to calculate State error rates; the national error rate is a weighted average of State rates. We found that States weakened the QC process by using third-party consultants and error review committees to mitigate individual QC-identified errors, rather than improving eligibility determinations; QC staffs also treated error cases non-uniformly. FNS' two-tier QC process is vulnerable to State abuse due to conflicting interests between (1) accurately reporting true error rates and incurring penalties or

OFFICE OF INSPECTOR GENERAL

(2) mitigating errors and receiving a bonus for exceeding standards. Further, States' QC reviews did not meet SNAP regulatory requirements and Federal oversight of State QC was inadequate. Finally, FNS' Broad-Based Categorical Eligibility (BBCE) policy to determine eligibility was not consistent with SNAP regulations. Thus, FNS' QC process understated SNAP's error rate. We accepted management decision on 10 recommendations; the remaining 9 are under review.

Food Nutrition Service National School Lunch and School Breakfast Programs. The controls FNS can place on the National School Lunch Program (NSLP) and School Breakfast Program (SBP) are limited by law to make the programs accessible to all children. During school year 2012-2013, as a result of the annual verification process, school food authorities (SFAs) reduced or eliminated benefits for 107,974 of the 199,464 sampled households because household income was unsupported or excessive. We estimated that FNS may have spent nearly \$12.5 million on lunches for students who later had benefits reduced or denied after being selected for verification. Further, at least 97 percent of households determined to be eligible for benefits based on household applications are not selected for verification and receive benefits based on self-reported income. SFAs are required to verify any questionable application. During this period, 44 of the 56 SFAs we reviewed did not question any applications, even though we later identified at least 42 potentially questionable applications based on FNS' criteria. Further, 20 of our 61 sampled SFAs mismanaged and misused Non-profit School Food Service Funds intended to be used for operating and improving the school food service. As a result, SFAs accumulated excess cash, totaling \$4.8 million; expensed nearly \$6 million in capital expenditures in the year of purchase without obtaining prior approval from State agencies; and charged unallowable costs totaling \$166,933 to cafeteria funds. We did not identify any issues related to meal claims. FNS generally agreed with our recommendations, and we accepted management decision for all 10 recommendations.

Selected Examples of Recent Investigations:

A significant portion of OIG's investigative resources is dedicated to ensuring the integrity of SNAP. During FY 2015, OIG's efforts led to more than 573 convictions for SNAP fraud, including a Virginia case where a store owner and his son were convicted of unlawfully redeeming more than \$2.3 million in SNAP benefits for U.S. currency. The store owner was ordered to pay \$2.3 million in restitution.

Rural Development – Embezzlement. In 2014, a joint investigation with the FBI and Internal Revenue Service-Criminal Investigation (IRS-CI) revealed that a former North Carolina State Representative used his position as the head of a non-profit organization to embezzle \$300,000 in Rural Development funding. After a three-week trial, he was found guilty. He appealed his case but pled guilty in January 2015. In July 2015, he was sentenced to 24 months in prison and 24 months of supervised release. He was also ordered to pay \$300,000 in restitution and fined \$5,000.

Farm Service Agency – False Loan Applications. An OIG investigation determined that a producer who operated a vineyard made false statements on loan applications to obtain FSA loans to purchase farmland, and operating loans to buy grapes, equipment, and other essentials for operating the vineyard. The producer also falsified an application for an emergency loan to refinance debts. The investigation revealed that, since 2007, he illegally sold property that was mortgaged to FSA to secure the loans. In June 2015, in U.S. District Court, Northern District of Ohio, the producer was sentenced to 15 months in prison, followed by 24 months of supervised release; ordered to pay \$447,406 in restitution; and fined \$10,000. He was also ordered to perform 10,000 hours of community service.

Risk Management Agency – False Claims Act Settlement. A coordinated investigation with the Department of Justice's Civil Division, the U.S. Attorney's Office in the Western District of North Carolina, USDA's Office of General Counsel, and RMA, including its Special Investigations Branch, led to an insurance company agreeing to pay \$44 million to settle allegations under the False Claims Act that it knowingly falsified documents and issued insurance policies that were ineligible under USDA's Federal Crop Insurance Program. The specific allegations were that the company's employees backdated policies, forged farmers' signatures, accepted late and altered documents, altered dates and signatures, and signed documents after relevant deadlines. The policies were issued in Modesto, California; Lambert, Mississippi; Fargo, North Dakota; Lubbock, Texas; Prosser, Washington; and Overland Park, Kansas.

OFFICE OF INSPECTOR GENERAL

Rural Business Cooperative Service – Bank Fraud. An OIG investigation revealed that an officer of a construction equipment company, in conjunction with the bank president, submitted fraudulent loan applications for \$8.2 million in guaranteed Rural Business and Cooperative Service (RBS) funds, purportedly to refinance construction debt and build a truck stop. The investigation disclosed that the loan's true purpose was to conceal \$9 million of imbedded losses from bank examiners. In addition, the former bank president fraudulently approved nominee loans for the construction company's benefit to avoid legal lending limits. The scheme resulted in \$26 million in bank losses and contributed to the failure of the bank in 2011. In December 2014, in the U.S. District Court, Eastern District of Oklahoma, the former bank president pled guilty to bank fraud relating to the RBS loan funds and was sentenced to 24 months in prison and ordered to pay \$14.7 million in restitution. In August 2015, the corporate officer was sentenced to 87 months in prison and ordered to pay \$3.2 million in restitution.

Food and Nutrition Service – Embezzlement. This joint investigation was conducted with Health and Human Services (HHS) OIG, the FBI, the U.S. Trustee Office, and the Department of Education OIG. The investigation determined that the head of a delegated agency responsible for management of 49 Head Start centers in Puerto Rico converted more than \$1.4 million in HHS funds and FNS Child and Adult Care Food Program payments for personal use. She spent the majority of the fraudulently obtained proceeds at a resort and casino in San Juan. In May 2015, in the U.S. District Court, District of Puerto Rico, the woman pled guilty to one count of theft of government funds and was sentenced to 60 months of supervised release and restitution of \$752,248.

Supplemental Nutrition Assistance Program Electronic Benefits Transfer – Trafficking Fraud:

Long Island Store Owners Guilty of Fraud Involving Hurricane Sandy Emergency Supplemental Nutrition Assistance Program Benefits. Our joint investigation with the New York State Office of the Attorney General revealed the illegal trafficking of SNAP benefits by the owners of a small gas station convenience store in Riverhead, New York. Beginning in early 2012, OIG agents determined that two store clerks, identified as the chief executive officer (CEO) and the store's owners were engaging in SNAP-trafficking transactions. Numerous SNAP recipients visited the store and exchanged their SNAP benefits for cash on multiple occasions. This activity included multiple visits to the store by SNAP recipients in the days and nights following Hurricane Sandy when emergency SNAP benefits were issued to SNAP recipients affected by the storm. In June 2013, the CEO, the store's owner, and the corporation were charged with a variety of criminal violations in a Suffolk County, New York, court. OIG agents arrested the owner and the CEO shortly afterward, and New York State Office of the Attorney investigators apprehended 24 SNAP recipients who had obtained cash for their SNAP benefits at the store. In January 2015, the CEO and store owner pled guilty to a variety of crimes including grand larceny, money laundering, and felony misuse of food stamps, falsifying business records, and conspiracy. Sentencing is pending for the defendants, but the CEO, store owner and corporation have agreed that they are jointly liable for paying \$566,011 in restitution.

Baltimore Store Owner Pleads Guilty to Unlawfully Redeeming More than \$1.2 Million in SNAP Benefits. A Baltimore, Maryland retail store owner was charged with food stamp fraud and wire fraud regarding a scheme to illegally redeem more than \$1.2 million in SNAPEBT benefits which were obtained in exchange for cash. During the course of the investigation, the store owner admitted that he received more than \$1.2 million in SNAP redemptions for food sales that never occurred. The store owner entered a guilty plea and was sentenced to 46 months in prison, followed by 36 months of supervised release, and was ordered to pay \$1.2 million in forfeiture and restitution. This investigation was conducted jointly with the FBI.

Five Indiana Individuals Sentenced to Prison in \$1.5 Million SNAP Fraud Conspiracy. This joint investigation with the FBI into six retail stores in Gary, Indiana, determined that the owners, operators or employees conspired to commit over \$1.5 million in SNAP fraud. In November and December 2014, five individuals were sentenced in U.S. District Court, Northern District of Indiana, for wire fraud and conspiracy. Their sentences ranged from 15 to 33 months in prison, and they were ordered to pay collectively over \$1.5 million in restitution.

Three Store Owners Ordered to Pay \$3.2 Million for SNAP Fraud. In June 2015, in U.S. District Court, Western District of Texas, two owners of a San Antonio store who trafficked SNAP benefits were sentenced for their participation in this scheme. One of the owners was sentenced to 12 months in prison and was ordered to pay \$1.6 million in restitution. The second owner was sentenced to 3 weeks in prison, followed by 12 months of supervised release, and was ordered to pay \$96 in restitution. Both individuals had been charged in February 2014 with six

OFFICE OF INSPECTOR GENERAL

counts of wire fraud. The third owner was sentenced in August 2015 to 48 months in prison, followed by 36 months of supervised release, and was ordered to pay approximately \$1.6 million in restitution. SNAP recipients who illegally sold their benefits at the store are also being prosecuted by the Bexar County, Texas, District Attorney's Office. Seven of those individuals admitted in March 2014 to having sold their SNAP benefits at the store, and one of those seven was charged in May 2014 with two counts of State felony charges for SNAP fraud. Further adjudication is pending against individuals associated with the store and recipients who illegally participated in the trafficking of SNAP benefits. This investigation was conducted jointly with San Antonio Police Department, the United States Secret Service, and the Texas Alcoholic Beverage Commission.

Joint Office of Inspector General and Federal Bureau of Investigation - Results in Three Convictions for SNAP Fraud. This investigation disclosed that the owner of a Lakeland, Florida, meat market conspired with his ex-wife and another store employee to exchange cash for SNAP benefits. From January 2013 through August 2014, they conducted more than \$2 million in fraudulent transactions. The three individuals were prosecuted in U.S. District Court, Middle District of Florida, where each pled guilty to one count of conspiracy to commit wire fraud. The owner was sentenced in August 2015 to 41 months in prison followed by 36 months of supervised release. In April 2015, the ex-wife was sentenced to 36 months of supervised release. In May 2015, the employee was sentenced to 18 months in prison followed by 36 months of supervised release. The three conspirators were also ordered to jointly pay \$2.1 million in restitution.

Retailer Sentenced for SNAP program and Federal Program Fraud. A joint investigation with the Department of Housing and Urban Development (HUD) OIG determined that three co-owners of a market in Grand Rapids, Michigan, along with several store employees, routinely exchanged cash for SNAP benefits and for vouchers issued through the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). They also exchanged SNAP and WIC benefits for phone cards, hookah pipes, and other ineligible items on multiple occasions. During a January 2015 trial, one of the co-owners of the market pled guilty to conspiracy to commit SNAP fraud, WIC fraud, Medicaid fraud, Housing Choice Voucher Program fraud, and unlawful procurement of naturalization. In June 2015, in U.S. District Court, Western District of Michigan, he was sentenced to 34 months in prison, followed by 24 months of supervised release, and was ordered to pay \$1.27 million in restitution. In July 2015, the remaining two co-owners were sentenced to 30 and 27 months' imprisonment, respectively. They were also ordered to serve 24 months of supervised release, and were ordered to pay \$1.29 million in joint and several restitutions. One co-owner also had his U.S. citizenship revoked. Two store employees who trafficked in SNAP benefits were also sentenced: one to 12 months and 1 day in prison, followed by 24 months of supervised release, and the other to 18 months in prison, followed by 36 months of supervised release. The employees were also ordered to pay restitution of \$1.2 million and \$10,223, jointly and severally with the other defendants.

Store Owner and Son Charged with Unlawfully Redeeming More than \$2.3 Million in SNAP program Electronic Benefit Transfer Benefits. Our investigation determined that the owner of a store in Norfolk, Virginia, and an employee (a father and his son, respectively) illegally traded SNAP benefits for U.S. currency on multiple occasions between January 2009 and October 2013. The owner was charged in December 2014 and his son was charged in February 2015 with violations related to SNAP trafficking. The store owner entered a guilty plea and was sentenced to 30 months in prison, followed by 36 months of supervised release, and was ordered to pay \$2.3 million in restitution. The disposition of the charges against the son is pending. This investigation was conducted jointly with the IRS-CI and the Norfolk Police Department.

(3) Management Improvement Initiative: Provide USDA with oversight to help it achieve its results-oriented performance.

- To strengthen management through more efficient program operations that offer improved customer service, OIG works with USDA agencies to ensure that the programs the agencies administer continue to (1) improve human capital and real property management; (2) improve financial management; (3) expand electronic government; (4) eliminate improper payments; and (5) enhance research and development criteria as they pertain to programs and agencies within USDA.

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

Highlights of Current Audit Work:

U.S. Department of Agriculture's Fiscal Year 2015 Compliance with Improper Payment Requirements. We are reviewing USDA's Annual Financial Report (AFR) and the accompanying information to determine if USDA is in compliance with the improper payment requirements.

U.S. Department of Agriculture's Consolidated and Agencies' Financial Statements. OIG is completing the FY 2015/2014 audits of five agencies' statements and USDA's consolidated financial statements. We will also conduct our FY 2016/2015 annual audit of the USDA consolidated financial statements and the financial statements of the five stand-alone agencies and entities – FNS, NRCS, Rural Development, Federal Crop Insurance Corporation, and Commodity Credit Corporation.

Animal and Plant Health Inspection Service: Animal Welfare Act – Marine Mammals (Cetaceans). OIG's objective is to review APHIS' monitoring and oversight of captive Cetacean marine mammals. Specifically, we will determine whether (1) exhibitor facilities meet Animal Welfare Act (AWA) regulations; (2) the agency has established an adequate system to monitor compliance; and (3) regulations are in agreement with current scientific care and maintenance guidelines.

Highlights of Current and Planned Investigations Work:

OIG will support USDA in implementing its management improvement initiatives, focusing on areas such as IT security; the management of IT systems to mitigate inappropriate disclosure, modification, or deletion of data; and enhancement of cyber security through increased awareness of system security threats and risks. The project of updating our internal management information system remains ongoing. In addition, OIG will continue to investigate allegations of public corruption, with our investigations leading to the potential prosecution and removal of USDA, State, and contractor employees who have defrauded USDA programs to obtain personal benefit.

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

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

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

Selected Examples of Recent Progress – Audit:

Natural Resources Conservation Service Controls Over Land Valuations for Conservation Easements. NRCS provides Federal funds for conservation easement programs to maintain or enhance land to benefit agriculture and

OFFICE OF INSPECTOR GENERAL

the environment. NRCS pays up to 50 percent of the fair market value for conservation easements through its Farm and Ranch Lands Protection Program (FRPP), and up to 100 percent for land under the Emergency Watershed Protection Program (EWP) and Wetlands Reserve Program (WRP). We found that NRCS' control environment for land valuation and payment processes did not meet GAO standards. For example, NRCS did not require management to ensure its staff's compliance with program requirements related to valuation and payment for conservation easements. As a result, NRCS was unable to prevent program officials from paying for insufficiently supported easements valued at over \$43 million. About \$42 million of that easement value was for WRP and EWP. We found that, because NRCS relied on its State staff to ensure land was properly valued, it did not use controls sufficient to prevent payments for unsupported land valuations. The remaining \$1 million in easement value we found was due to FRPP's use of landowner-obtained appraisals. We found that, although the landowner-obtained appraisals passed technical reviews, NRCS officials did not ensure that appraisals met the terms of signed cooperative agreements with local governments, which prohibit the landowner from approving the appraiser. OIG recommended that NRCS reassess its oversight and evaluation process to cover key program requirements, require State offices to include all supporting documentation in proposals for NRCS funding, develop a system for national review of State office information collected in support of EWP and WRP payments, and emphasize that landowner-obtained appraisals are strictly prohibited in easement valuations. NRCS agreed with our findings and we accepted management decision on 9 of the 10 recommendations. Management decision has not been achieved for Recommendation 6.

Review of FSA's Initiative to Modernize and Innovate the Delivery of Agricultural Systems. In response to a longstanding need to modernize the delivery of farm programs, FSA initiated a business enterprise solution called the Modernize and Innovate the Delivery of Agricultural Systems (MIDAS). FSA reported to Congress in 2010 that \$305 million would allow it to consolidate its 31 farm programs into MIDAS by the end of FY 2012. As we reported, MIDAS was 2 years behind schedule and approximately \$140 million over budget and has not delivered the promised enterprise solution. As of April 1, 2015, FSA had obligated over \$444 million to this project and had retired only 1 of the 66 applications which were to be replaced by MIDAS. By 2022, the program is projected to have a total cost of nearly \$824 million. In July 2014, Secretary Vilsack directed that future MIDAS development cease. OIG attributes MIDAS' shortcomings to ineffective management and oversight. Although we found that MIDAS has increased functionality in the field and oversight has improved during the past 2 years, we believe that USDA's decision to cease further development of MIDAS was appropriate. Going forward, USDA and FSA must decide if they can leverage the enterprise solution's functionality in a way that supports its annual cost of over \$50 million. If not, USDA and FSA will need to pursue alternative modernization options. FSA concurred with the four recommendations in this report.

Review of Expenditures Made by the Office of the Assistant Secretary for Civil Rights. The Office of the Assistant Secretary for Civil Rights (OASCR) provides leadership and direction for the fair and equitable treatment of all USDA customers and employees. To meet its goals, OASCR expends funds on salaries and benefits, purchases goods and services, and engages in sponsorships. OIG conducted preliminary work and identified anomalies pertaining to OASCR procurements. Based on this work, we performed a more in-depth review of OASCR's expenditures from FYs 2009 through 2013. During this 5-year time period, we determined OASCR improperly entered into agreements of approximately \$2.65 million with vendors and other organizations for services and sponsorships, without providing sufficient documentation for OIG to discern whether the payments were proper. As a result, while one agreement for \$50,000 was properly ratified, thereby validating the procurement contract and subsequent payment, we identified approximately \$2.6 million in improper payments made without sufficient documentation on other agreements. This occurred because OASCR did not properly identify which legal instrument to use for each the applicable expenditure and did not follow the applicable guidelines to establish the obligation. However, we found that OASCR has taken action to rectify the issues identified. We also determined that the ratification of unauthorized commitments was not adequately documented. Although OASCR noted they did not have dedicated budget staff during the audit's scope period, OASCR and Office of Procurement and Property Management generally agreed with our recommendations.

FY 2015 Federal Information Security Management Act Audit. USDA is working to improve its IT security posture, but many longstanding weaknesses remain. We continue to find that the Office of Chief Information Officer has not implemented corrective actions that the Department has committed to in response to prior OIG recommendations. In FYs 2009 through 2014, OIG made 57 recommendations for improving the overall security of

OFFICE OF INSPECTOR GENERAL

USDA's systems, but only 31 of these have been closed (i.e., the agreed upon corrective action has been implemented). Our testing identified that security weaknesses still exist in 3 of the 31 closed recommendations. Because of these identified outstanding recommendations and weaknesses, we continue to report a material weakness in USDA's IT security that should be included in the Department's Federal Managers Financial Integrity Act report. Based on these outstanding recommendations, and the findings in this report, OIG concluded that the Department lacks an effective information security program and practices.

Selected Examples of Recent Investigations:

National Institute of Food and Agriculture - Theft. Our investigation, conducted jointly with HUD OIG, determined that a NIFA employee made false statements to conceal her full-time USDA employment income when she applied to receive HUD Section 8 Housing Subsidy Program benefits from the Prince George's County office of the Maryland Department of Housing and Community Development. She altered USDA paystubs to show lower earnings than she actually received. The NIFA employee pled guilty in the Circuit Court for Prince George's County, Maryland to theft and was sentenced to 6 months' home detention and 60 months of supervised probation, and ordered to pay \$12,316 in restitution.

Forest Service – Sexual Assault. An OIG joint investigation with FS confirmed that a student at a Job Corps Center sexually assaulted another student on several occasions from June to August 2014. In March 2015, criminal information was filed against five students for indecent liberties and forcible compulsion. In June 2015, the charges against four of the students were dismissed. In July 2015, in the Ferry County, Washington, Superior Court, the fifth student pled guilty to one count of assault in the fourth degree and was sentenced to 364 days in prison and 24 months' probation.

OFFICE OF INSPECTOR GENERAL

Summary of Budget and Performance
Statement of Department Goals and Objectives

The Office of Inspector General (OIG) was established October 12, 1978, pursuant to the Inspector General Act of 1978 (5 U.S.C. app. 3). The Mission of the agency is to help ensure economy, efficiency, and integrity in U.S. Department of Agriculture (USDA) programs and operations through the successful execution of audits, investigations, and reviews.

OIG has four strategic goals and nine strategic objectives that contribute to one strategic objective within one of the Department’s goals.

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

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

Agency Strategic Goal	<u>Agency Objectives</u>	<u>Programs that Contribute</u>	<u>Key Outcomes</u>
<p><u>Goal 1:</u> Strengthen USDA’s ability to implement and improve safety and security measures to protect the public health as well as agricultural and Departmental resources.</p>	<p><u>Objective 1.1:</u> Continuously monitor and assess risks in USDA operations and programs to identify those risks critical to the achievement of our goals.</p> <p><u>Objective 1.2:</u> Target resources to address those critical risks.</p>	<p>Audit/ Investigations</p>	<p>Definition of criteria to establish priorities in terms of dollars; level of Congressional, Departmental, or public interest; risk factors; or other concerns to reduce fraud, waste and abuse in Federal programs.</p>
<p><u>Goal 2:</u> Reduce program vulnerabilities and strengthen program integrity in the delivery of program assistance.</p>	<p><u>Objective 2.1:</u> Continuously monitor and assess risks in USDA operations and programs to identify those risks critical to the achievement of our goals.</p> <p><u>Objective 2.2:</u> Target resources to address those critical risks.</p>	<p>Audit/ Investigations</p>	<p>Definition of criteria to establish priorities in terms of dollars; level of Congressional, Departmental, or public interest; risk factors; or other concerns to reduce fraud waste and abuse in Federal programs.</p>
<p><u>Goal 3:</u> Provide USDA with oversight to help it achieve its results-oriented performance.</p>	<p><u>Objective 3.1:</u> Continuously monitor and assess risks in USDA operations and programs to identify those risks critical to the achievement of our goals.</p> <p><u>Objective 3.2:</u> Target resources to address those critical risks.</p>	<p>Audit/ Investigations</p>	<p>Establishment of prevention and detection methods to reduce program losses.</p> <p>Continuous evaluation of our technological and physical resources to aid USDA in facing new technology-based and information security challenges to reduce fraud, waste and abuse in Federal programs.</p>

OFFICE OF INSPECTOR GENERAL

Agency Strategic Goal	<u>Agency Objectives</u>	<u>Programs that Contribute</u>	<u>Key Outcomes</u>
<p><u>Goal 4:</u> Maintain a highly qualified and diverse workforce with the tools and training necessary to continuously enhance OIG’s ability to fulfill its mission.</p>	<p><u>Objective 4.1:</u> Recruit, retain, develop, and effectively lead a diverse workforce with the skills necessary to meet OIG’s strategic goals and annual plans.</p> <p><u>Objective 4.2:</u> Ensure OIG provides employees with the state-of-the-art technology, equipment, and other physical resources necessary.</p> <p><u>Objective 4.3:</u> Enhance internal OIG communication so that all staff members understand OIG’s priorities and the contribution their work makes toward fulfilling OIG’s mission.</p> <p><u>Objective 4.4:</u> Provide timely and reliable legal and management advice, reports, and services to support the effective functioning of all OIG components.</p> <p><u>Objective 4.5:</u> Support the integrity of OIG operations by maintaining an effective quality assurance and internal review program.</p> <p><u>Objective 4.6:</u> Effectively communicate the outcome of our work to Congress, agency management officials, media entities, and members of the public.</p>	<p>OIG supports all USDA Strategic Goals</p>	<p>Utilization of self-assessment tools, such as surveys, to continually measure the impact of our human capital efforts and organizational progress.</p> <p>Achievement of human capital development goals by improving our recruitment, hiring and training of a diversified skilled workforce.</p>

OFFICE OF INSPECTOR GENERAL

Key Performance Measures

OIG focuses on the most important issues that face USDA. Through coordinated audits, investigations, and other reviews, OIG addresses the areas of highest risk and provides insight and support to USDA program agencies. Our efforts focus heavily on prevention, including reviewing internal control procedures and advising Departmental officials of recommended improvements needed in agency programs and operations. To determine how we are doing and where we go next, we will continue to meet periodically with stakeholders, particularly USDA management officials, U.S. attorneys, and Congressional representatives and staff, to obtain feedback on our work. Our work follows several stages of decision-making and implementation in order to ultimately influence change.

Annual Performance Goals, Indicators, and Trends		Actual				Target	Actual	Result	Estimate/Target	Target
		2011	2012	2013	2014	2015		2016	2017	
1	Percent of OIG Direct Resources Dedicated to Critical-risk and High-Impact activities	97.2%	97.7%	96.6%	95.3%	94%	96.7%	Met	94%	96%
2	Audit recommendations where Mgt. decision achieved within 1 year	90.1%	96.8%	94.4%	94.2%	92%	90.9%	Unmet	92%	94%
3	MCSA* requested audits where findings and recs presented to auditee within established timeframe	100%	91.9%	100%	100%	90%	100%	Met	90%	92%
4	Closed Investigations that resulted in referral to DOJ**, State, or local law enforcement or admin. authority	82.5%	88.8%	86%	87.9%	75%	88.9%	Met	75%	77%
5	Closed Investigations that resulted in indictment, conviction, civil suit or settlement, judgment, admin. action, or monetary result	70.4%	71.2%	79.7%	81.5%	70%	82.3%	Met	70%	72%

* MCSA - Mandatory, Congressional, Secretarial, and Agency

**DOJ - Department of Justice

Allowable Data Range for Met – A range is not acceptable, as data is measured to the tenth percent and a target must be fully met.

Assessment of Performance Data

Data source – Data collected in the ARGOS database comes from direct entry and is reported on a quarterly basis.

OFFICE OF INSPECTOR GENERAL

Completeness of Data – The data collected is real-time or historical, and recorded electronically.
Reliability of Data – Data is carefully tracked by subject matter experts and is satisfactory.
Quality of Data – The OIG uses cross-system consistency checks to verify and validate data. The data is generally regarded as being very accurate. The only limitation would be user entry error and it would be corrected, if discovered.

Analysis of Results

Selected Past Accomplishments Toward the Achievement of the Key Outcomes: During 2015, OIG has continued to demonstrate considerable law enforcement actions, recommend significant programmatic improvements, and demonstrate considerable dollar returns for the funding provided for the office.

- OIG activity has led to total monetary results and financial recommendations of \$2.9 billion for FYs 2013, 2014, and 2015, while our appropriations have been \$259 million for this 3 year period. For every dollar invested, we have realized potential cost saving and recoveries of about \$11.04.
- Over the past several years, OIG has been continuously called upon to direct audit resources to conduct high-priority work and special assignments resulting from an increasing number of congressional requests, natural disasters, and significant agency program changes.

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

Selected Accomplishments Expected at the 2017 Proposed Resources Level/Challenges for the Future: Annually, OIG identifies the areas of highest risk in significant USDA programs for audit and investigations and allocates resources to these areas. During 2016, OIG plans to use its audit resources to evaluate the Department's progress in accomplishing its strategic goals and objectives. The following are items of high priority:

- Audits ensuring that USDA food safety and inspection programs effectively meet program objectives.
- Audits of nutrition, farm, and rural community programs to determine if entitlements and benefits are effectively directed based on eligibility.
- Mandated FY 2014/2015 financial statement audits of five USDA agencies and the Department as a whole.
- Investigations focusing on matters that pose immediate threats to the well-being of the American consumer, livestock, and agriculture.
- Significant investigations based on attempts to defraud USDA programs, including the Supplemental Nutrition Assistance Program.
- Support for the Council of the Inspectors General on Integrity and Efficiency.
- Meeting mandatory training requirements for OIG auditors and investigators.

Program Evaluations

The Health and Human Services Office of Inspector General conducted a peer review of USDA OIG's audit organization. USDA OIG received a grade of pass, the best evaluation an audit organization can receive. The report had no recommendations, and there was no letter of comment. The report can be found at http://www.usda.gov/oig/webdocs/peer_review2015.pdf

The most recent peer review of USDA OIG Investigations was conducted by the Treasury Inspector General for Tax Administration (TIGTA) in June 2013. TIGTA found USDA OIG Investigations to be in full compliance with Council of the Inspectors General on Integrity and Efficiency's (CIGIE) Quality Standards for Investigations. The report can be found at http://www.usda.gov/oig/webdocs/investigations_peer_review_2013.pdf

OFFICE OF INSPECTOR GENERAL

Strategic Goal Funding Matrix
(Dollars in thousands)

<u>Program/Program Item</u>	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>	<u>2016</u> <u>Enacted</u>	<u>Increase or</u> <u>Decrease</u>	<u>2017</u> <u>Estimate</u>
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Department Strategic Goal 5: Create a USDA for the 21st Century that is High-Performing, Efficient, and Adaptable.

Department Objective 5.3: Maximize the return on taxpayer investment in USDA through stewardship of resources and focused program evaluations.

Audit.....	\$44,052	\$46,563	\$46,912	+\$2,577	\$49,489
Staff Years.....	252	257	274		282
Investigations.....	45,850	48,463	48,826	+2,683	51,509
Staff Years.....	242	246	257		257
Total Costs, All Strategic Goals.....	89,902	95,026	95,738	5,260	100,998
Staff Years, All Strategic Goals.....	494	503	531	-	539

OFFICE OF INSPECTOR GENERAL

Annual Plan and Performance Report

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

USDA Strategic Objective 5.3: *Maximize the return on taxpayer investment in USDA through stewardship of resources and focused program evaluations.*

Analysis of Results / Progress for 2015 (objective)

For 2015, our audit and investigative work has led to significant accomplishments, including 529 arrests, 567 indictments, 817 convictions, \$431.3 million in investigative monetary results, 178 program improvement recommendations, and \$815.2 million in audit financial recommendations.

Challenges for the Future (objective)

OIG’s work will be designed to address USDA Management Challenges that hinder the Department’s ability to be high-performing, efficient, and adaptable. These Challenges include improving interagency communication, coordination, and program integration, creating strong integrated internal control systems across programs, and in the area of Information Technology (IT) – project planning and oversight, agency compliance with Office of Management and Budget, National Institute of Standards and Technology, and Departmental guidance and security. Additionally, OIG will work to help USDA prevent and deter future instances of illegal or fraudulent acts or misconduct.

Key Performance Indicators:

Percentage of OIG direct resources dedicated to critical-risk or high impact activities.							
	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2017 Target
Percent	97.2	97.7	96.6	95.3	96.7	94	94
<u>Allowable Data Range for Met</u> – A range is not acceptable, as data is measured to the tenth percent and a target must be fully met.							
<u>Assessment of Performance Data</u>							
<u>Data source</u> – Data collected in the ARGOS database comes from direct entry and is reported on a quarterly basis.							
<u>Completeness of Data</u> – The data collected is real-time or historical, and recorded electronically.							
<u>Reliability of Data</u> – Data is carefully tracked by subject matter experts and is satisfactory.							
<u>Quality of Data</u> – The OIG uses cross-system consistency checks to verify and validate data. The data is generally regarded as being very accurate. The only limitation would be user entry error and it would be corrected, if discovered.							

*Amounts in thousands

Analysis of results/progress for 2015 (performance indicator 1)

As of September 30, 2015, OIG committed 96.7 percent of our direct resources to critical/high impact audits and investigations, which exceeds OIG’s target of 94.0 percent. We gauge our impact by measuring the extent to which our work focuses on the key issues under our strategic goals, and by tracking the outcomes of our audits and investigations.

Challenges for the Future (performance indicator 1)

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

OFFICE OF INSPECTOR GENERAL

Key Performance Indicators:

Percentage of audit recommendations where management decisions are achieved within 1 year.							
	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2017 Target
Percent	90.1	96.8	94.4	94.2	90.9	92	92
<u>Allowable Data Range for Met</u> – A range is not acceptable, as data is measured to the tenth percent and a target must be fully met.							
<u>Assessment of Performance Data</u>							
<u>Data source</u> – Data collected in the ARGOS database comes from direct entry and is reported on a quarterly basis.							
<u>Completeness of Data</u> – The data collected is real-time or historical, and recorded electronically.							
<u>Reliability of Data</u> – Data is carefully tracked by subject matter experts and is satisfactory.							
<u>Quality of Data</u> – The OIG uses cross-system consistency checks to verify and validate data. The data is generally regarded as being very accurate. The only limitation would be user entry error and it would be corrected, if discovered.							

*Amount in thousands

Analysis of results/progress for 2015 (performance indicator 2)

During 2015, 90.9 percent of OIG’s audit recommendations resulted in management decisions within 1 year, compared to OIG’s target of 92.0 percent. Impact is measured by tracking audit outcomes, reports issued, total dollar impact of reports issued (questioned costs and funds to be put to better use), contract audit reports with significant findings, management decisions (of reports and recommendations), total dollar impact, program improvement recommendations, audits without management decisions, significant management decisions with which the IG is in disagreement, and audits with recommendations pending correction.

Challenges for the Future (performance indicator 2)

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

Key Performance Indicators:

Mandatory, Congressional, Secretarial, and Agency (MCSA) requested audits initiated where the findings and recommendations are presented to the auditee within established or agreed-to timeframes (includes verbal commitments).							
	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2017 Target
Percent	90	91.9	100	100	100	90	90
<u>Allowable Data Range for Met</u> – A range is not acceptable, as data is measured to the tenth percent and a target must be fully met.							
<u>Assessment of Performance Data</u>							
<u>Data source</u> – Data collected in the ARGOS database comes from direct entry and is reported on a quarterly basis.							

OFFICE OF INSPECTOR GENERAL

<u>Completeness of Data</u> – The data collected is real-time or historical, and recorded electronically.
<u>Reliability of Data</u> – Data is carefully tracked by subject matter experts and is satisfactory.
<u>Quality of Data</u> – The OIG uses cross-system consistency checks to verify and validate data. The data is generally regarded as being very accurate. The only limitation would be user entry error and it would be corrected, if discovered.

*Amount in thousands

Analysis of results/progress for 2015 (performance indicator 3)

During 2015, mandatory, Congressional, Secretarial, and agency requested audits where findings and recommendations were presented to the auditee within established or agreed-to timeframes occurred 100 percent of the time, exceeding OIG’s target of 90 percent.

Challenges for the Future (performance indicator 3)

OIG will continue to complete this work in light of USDA’s Management Challenges that impact OIG’s work. These Challenges include improving interagency communication, coordination and program integration, creating strong integrated internal control systems across programs, and IT security needs.

Key Performance Indicators:

Percentage of closed investigations that result in a referral for action to the Department of Justice, State or local law enforcement officials, or a relevant administrative authority.							
	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2017 Target
Percent	82.5	88.8	86	87.9	88.9	75	75
<u>Allowable Data Range for Met</u> – A range is not acceptable, as data is measured to the tenth percent and a target must be fully met.							
<u>Assessment of Performance Data</u>							
<u>Data source</u> – Data collected in the ARGOS database comes from direct entry and is reported on a quarterly basis.							
<u>Completeness of Data</u> – The data collected is real-time or historical, and recorded electronically.							
<u>Reliability of Data</u> – Data is carefully tracked by subject matter experts and is satisfactory.							
<u>Quality of Data</u> – The OIG uses cross-system consistency checks to verify and validate data. The data is generally regarded as being very accurate. The only limitation would be user entry error and it would be corrected, if discovered.							

*Amount in thousands

Analysis of results/progress for 2015 (performance indicator 4)

As of September 30, 2015, a total of 88.9 percent of OIG’s closed investigations resulted in a referral for action to the Department of Justice, State or local law enforcement officials, or a relevant administrative authority, compared to OIG’s target of 75 percent. In tracking the outcomes of OIG investigations, agents’ accomplishments lead to indictments, convictions, arrest, total dollar impact (recoveries, restitutions, fines, asset forfeiture), and administrative sanctions. OIG also accepts and handles hotline complaints, some of which lead to investigations or audits, and some of which are referred to USDA agencies for inquiry or action as they deem necessary.

OFFICE OF INSPECTOR GENERAL

Key Performance Indicators:

Percentage of closed investigations that result in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.							
	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Target	2017 Target
Percent	70.4	71.2	88.6	81.5	82.3	70	70
<u>Allowable Data Range for Met</u> – A range is not acceptable, as data is measured to the tenth percent and a target must be fully met.							
<u>Assessment of Performance Data</u>							
<u>Data source</u> – Data collected in the ARGOS database comes from direct entry and is reported on a quarterly basis.							
<u>Completeness of Data</u> – The data collected is real-time or historical, and recorded electronically.							
<u>Reliability of Data</u> – Data is carefully tracked by subject matter experts and is satisfactory.							
<u>Quality of Data</u> – The OIG uses cross-system consistency checks to verify and validate data. The data is generally regarded as being very accurate. The only limitation would be user entry error and it would be corrected, if discovered.							

*Amount in thousands

Analysis of results/progress for 2015 (performance indicator 5)

As of September 30, 2015, a total of 82.3 percent of OIG’s closed investigations resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result, compared to OIG’s target of 70 percent. In tracking the outcomes of OIG investigations, agents’ accomplishments lead to indictments, convictions, arrests, total dollar impact (recoveries, restitutions, fines, asset forfeiture), and administrative sanctions. OIG also accepts and handles hotline complaints, some of which lead to criminal investigations or audits, and some of which are referred to USDA agencies for inquiry or action that they deem necessary.

Challenges for the Future (performance indicator 5)

As OIG works to improve and restore integrity in various USDA benefit and entitlement programs, a future challenge is to help USDA prevent and deter instances of illegal or fraudulent acts.

OFFICE OF INSPECTOR GENERAL

Full Cost by Agency Strategic Goal
(Dollars in thousands)

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

<u>Program / Program Items</u>	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
Audit.....	\$41,428	\$45,444	\$46,912	\$49,489
Total Costs.....	41,428	45,444	46,912	49,489
FTEs.....	252	257	274	282
Performance Measure:				
Number of Audits.....	36	38	40	40
Cost per measure (unit cost).....	890	914	938	964
Investigation.....	43,118	47,298	48,826	51,509
Total Costs.....	43,118	47,298	48,826	51,509
FTEs.....	242	246	257	257
Performance Measure:				
Number of Investigations.....	334	280	300	300
Cost per measure (unit cost).....	2,160	2,048	2,103	2,160
Total Costs, All Strategic Goals.....	84,546	92,742	95,738	100,998
Total FTEs, All Strategic Goals.....	494	503	531	539