

United States Department of Agriculture
Office of Inspector General

Semiannual Report to Congress
First Half 2012, October 1, 2011- March 31, 2012

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KEY OIG ACCOMPLISHMENTS IN THIS REPORTING PERIOD—October 2011-March 2012

SUMMARY OF AUDIT ACTIVITIES

Reports Issued	
Number of Final Reports	35
Number of Fast Reports	5
Number of Final Report Recommendations	147
Number of Fast Report Recommendations	28
Management Decisions Reached	
Number of Reports	34
Number of Recommendations	208
Total Dollar Impact of Reports with Management Decisions (Millions)	\$1,169.9
Questioned/Unsupported Costs	\$1,169.1
Funds To Be Put To Better Use	\$0.8

SUMMARY OF INVESTIGATIVE ACTIVITIES

Reports Issued	142
Impact of Investigations	
Indictments	334
Convictions	218
Arrests	261
Total Dollar Impact (Millions)	\$48.8
Administrative Sanctions	147

OIG MAJOR USDA MANAGEMENT CHALLENGES (August 2011)

- 1) Interagency Communications, Coordination, and Program Integration Need Improvement
Related material can be found on pages 4, 12, 20-21, and 28.
- 2) Implementation of Strong, Integrated Internal Control Systems Still Needed
Related material can be found on pages 10, 21-22, 28-30, 32-33, and 39.
- 3) Continuing Improvements Needed in Information Technology Security
Related material can be found on pages 22, 27-29, and 34.
- 4) Material Control Weaknesses in Civil Rights Control Should Be Mitigated
No work was reported during this period.
- 5) USDA Needs to Develop a Proactive, Integrated Strategy to Increase Agricultural Commerce and Trade
Related material can be found on page 34.
- 6) Better Forest Service Management and Community Action Needed to Improve Forest Health and Reduce Firefighting Costs
Related material can be found on pages 37-40.
- 7) Improved Controls Needed for Food Safety Inspection Systems
Related material can be found on page 7.
- 8) Implementation of the American Recovery and Reinvestment Act of 2009
Related material can be found on pages 20-21, 32-33, and 38-40.
- 9) Strengthen Efforts to Identify, Report, and Reduce Improper Payments
Related material can be found on pages 9-11, 20-21, 29-31, and 33.

Message from the Inspector General

I am pleased to provide the Semiannual Report to Congress (SARC) for the Office of Inspector General (OIG), U.S. Department of Agriculture (USDA), for the 6-month period ending March 31, 2012. Overall, our investigations and audits have led to significant accomplishments during this period, including 261 arrests, 218 convictions, \$48.8 million in investigative monetary results, 124 program improvement recommendations, and \$1.2 billion in audit financial recommendations.

OIG continues to work extensively with the Department, Congress, and other Federal agencies to ensure the integrity and efficiency of USDA programs, safeguard the taxpayers' investment in these programs, and pursue those who abuse them. Additionally, during this period, we have directed significant resources to overseeing \$28 billion in American Recovery and Reinvestment Act of 2009 (Recovery Act) funds. At present, we have 32 Recovery Act audit projects in progress, and we are evaluating how well USDA agencies are reporting the outcomes of their Recovery Act projects.

Our activities, including our Recovery Act work, are described according to our strategic goals, as outlined in the OIG Strategic Plan for fiscal years (FY) 2010-2015:

Safety, Security, and Public Health—OIG has recently completed several investigations of those responsible for animal-fighting, a crime that involves a wide range of activities harmful to public health and security, such as drug trafficking and the illegal exchange of firearms. One of our investigations broke up a dog fight in progress in Indianapolis, Indiana, and led to 22 individuals being charged for a variety of offenses. Of the 22 subjects charged in this case, 19 pled guilty or were convicted at trial. We have also recently completed an audit addressing USDA's efforts to respond to "colony collapse disorder," which affects the ability of honey bees to pollinate and thereby endangers \$15 billion annually in added crop value.

Integrity of Benefits—The last 6 months have seen a major push on OIG's part to help the Food and Nutrition Service (FNS) prevent fraud, waste, and abuse in the Supplemental Nutrition Assistance Program (SNAP). Our investigations have led to 122 convictions and \$25.5 million in monetary results. OIG has also completed seven audits designed to determine if the States could better prevent ineligible recipients from receiving SNAP benefits. These audits found that 13,936 recipients of questionable eligibility were receiving an estimated \$1.9 million in SNAP benefits monthly.

Management Improvement Initiatives—OIG continues to work with the Department to address longstanding weaknesses in USDA's information technology (IT) security. As part of our FY 2011 Federal Information Security Management Act (FISMA) audit, we identified that only 6 of 33 prior year recommendations for improving the overall security of USDA's systems had been sufficiently addressed by the Department. For example, we found that USDA was unable to prioritize and complete IT security projects, thus hindering progress towards improving USDA's security posture. We recommended in FY 2009 and again in FY 2011 that the Department better prioritize its projects.

Stewardship Over Natural Resources—We completed several audits overseeing the \$200 million in Recovery Act funds the Forest Service (FS) received to conduct wildland fire management and hazardous fuels reduction in the Nation's forests and grasslands. One audit found that the

Alabama Forestry Commission commingled Recovery Act funds with other funds and could not account for \$14.4 million of the commission's charges to its FS grants. Another audit showed that 148 of 795 contracts for road maintenance and decommissioning, bridge maintenance and decommissioning, and related watershed restoration and ecosystem enhancement did not fully comply with procurement requirements, and could result in projects worth \$63 million not being completed in compliance with Recovery Act specifications.

These accomplishments are the direct result of the dedicated work of USDA OIG professional staff, and exemplify our commitment to ensuring the efficiency and effectiveness of the programs USDA provides. Our success is also due, in large part, to the continued support and interest of USDA Secretary Thomas J. Vilsack, Deputy Secretary Kathleen Merrigan, as well as interested Committees and Members of Congress.

Phyllis K. Fong
Inspector General

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Safety, Security, and Public Health

OIG Strategic Goal 1: Strengthen USDA's ability to implement safety and security measures to protect the public health as well as agricultural and Departmental resources

To help USDA and the American people meet critical challenges in safety, security, and public health, OIG provides independent audits and investigations in these areas. Our work addresses such issues as the ongoing challenges of agricultural inspection activities, the safety of the food supply, and homeland security. Our work to combat animal-fighting and other animal abuse is also included under this goal. Such activities can result in the spread of disease, and many individuals associated with illegal animal fights commit other crimes that threaten public safety, such as trafficking in drugs and illegally trading firearms.

In the first half of FY 2012, we devoted 12 percent of our total direct resources to Goal 1, with 100 percent of these resources assigned to critical-risk and high-impact work. A total of 100 percent of our audit recommendations under Goal 1 resulted in management decision within 1 year, and 47 percent of our investigative cases resulted in criminal, civil, or administrative action. OIG issued one audit report under Goal 1 during this reporting period. OIG's investigations under Goal 1 yielded 42 indictments, 51 convictions, and about \$135,000 in monetary results during this reporting period.

Management Challenges Addressed UNDER GOAL 1

- Interagency Communication, Coordination, and Program Integration Need Improvement (also under Goals 2 and 3)
- Improved Controls Needed for Food Safety Inspection Systems

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 1

USDA Needs to Survey Losses Caused by Colony Collapse Disorder

In response to colony collapse disorder—a disorder that impacts honey bee pollination and endangers \$15 billion annually in added crop value—USDA led a collaboration of Federal agencies and non-Federal entities that took action to better understand the disorder and mitigate the damage to bee colonies. OIG found that USDA's implementation of the colony collapse disorder action plan—a plan that involved surveying and collecting data, analyzing samples, researching the causes of the disorder, and mitigating the disorder's effects—was adequate, but that USDA had not completed a comprehensive survey of bee colony losses and the resulting agricultural damage. This survey is vital because, although USDA has devoted significant resources for honey bee research, the true extent of colony collapse disorder in the United States has not been adequately assessed. We recommended that the Department seek adequate funding for the National Agricultural Statistics Service (NASS) to conduct a comprehensive survey of honey bee colony production and health. Departmental officials agreed with the need to complete this survey but expressed concerns about their ability to fund it. (Audit Report 50099-0084-Hy, USDA's Response to Colony Collapse Disorder)

Four Defendants Sentenced in Horse Soring Conspiracy

Four individuals were convicted and sentenced during this reporting period for participating in a conspiracy to intentionally “sore” horses in violation of the Horse Protection Act. “Soring” horses involves purposely injuring the hooves and legs of certain breeds of horses so they will exhibit a more pronounced, high-stepping gait when they participate in horse shows. Our investigation determined that these individuals conspired to routinely sore horses when training them and also to file false documents, forge signatures, and falsely claim to abide by Horse Protection Act rules in order to enter horses into shows. The central figure in the conspiracy—a horse trainer whose prior soring activities had led to his lifetime suspension from showing horses in events sponsored by a major horse industry organization—enlisted the other three individuals to claim to be the trainers and file paperwork to enter shows, in part so he could continue to be involved in training and showing horses in spite of the ban. In the spring of 2011, all four individuals were charged in U.S. District Court, Eastern District of Tennessee, with multiple violations of the Act and other crimes, including wire fraud and money laundering. The previously suspended trainer was ordered to be detained after he was observed in July 2011 putting bolts and blocks on horses, which was in violation of the law and his bond. In November 2011, he pled guilty to several charges, including conspiracy to violate the Act, obstruction of justice, witness tampering, and transporting a sore horse in violation of the Act. The other three individuals each pled guilty to one count of conspiracy to violate the Act.

In February 2012, the previously suspended trainer was sentenced to 12 months and 1 day in prison, followed by 36 months’ probation, and fined \$4,000. He was also ordered to perform community service, including participating in an educational video produced in conjunction with the USDA Animal and Plant Health Inspection Service (APHIS) and the Humane Society of the United States on methods used to sore horses, techniques for avoiding detection during inspections, and the effects of soring on horses. The other three conspirators were each sentenced to 12 months’ probation, fined \$1,000, and ordered to write articles describing the methods and scope of soring activities in the gaited horse industry and the effects these activities have on horses.

Final Three Federal Defendants in Multi-State Dog-Fighting Investigation Sentenced to Prison

In the *SARC, First Half of FY 2010* and *Second Half of FY 2010*, OIG reported on the investigation, prosecution, and conviction of individuals who were participants, trainers, owners, or promoters in dog-fighting rings in Missouri and six other States. In November 2011, two brothers who participated in animal-fighting activities were sentenced in U.S. District Court, Southern District of Illinois, to serve 12 months and 1 day in prison, followed by 36 months’ supervised release, and fined \$100. A third defendant was sentenced to serve 4 months in prison, and fined \$100. These three individuals were the last of 28 defendants to be sentenced who were charged with Federal crimes as a result of a 15-month dog-fighting investigation that OIG agents conducted with other law enforcement agencies in 2008 and 2009. Numerous other individuals have been charged in State court, some of whom are awaiting adjudication.

Indianapolis Dog-Fighting Investigation Leads to 19 Convictions

After receiving information about alleged animal-fighting activities in Indianapolis, Indiana, OIG agents and local police officers conducted a search warrant in August 2010 at a residence in Indianapolis and uncovered a dog fight in progress. As a result of the warrant, 22 individuals attending the fight or gambling on the outcome were arrested and charged in Indiana State court. Officers seized nine pit bulls, a dog-training treadmill, medical and veterinary supplies, a blood-covered dog-fighting pit in the residence's garage, break sticks, animal carriers, heavy dog collars, chains, marijuana, and \$12,967. Of the 22 subjects charged in this case, 19 pled guilty or were convicted at trial; charges against 1 individual were dismissed, 2 individuals were acquitted, and one individual was fined \$500. In December 2011, the last two subjects in this case were sentenced in the Marion County Court of Indianapolis, Indiana, to 6 months' home detention and 30 months' probation.

Oregon Man Sentenced to Prison for Animal-Fighting and Drug Distribution

In December 2011, an Oregon man was sentenced in U.S. District Court, District of Oregon, to 70 months in prison after he pled guilty to participating in unlawful animal-fighting and distribution of controlled substances. In 2008, this man was one of many individuals arrested as part of a major investigation of an organized cockfighting group based in Oregon and Washington. As a result of the investigation, more than 40 individuals have pled guilty to a variety of charges including cockfighting and distribution of controlled substances. They have received sentences ranging from fines to 14 years in prison. OIG's investigation was conducted jointly with the Drug Enforcement Administration; the Bureau of Alcohol, Tobacco, Firearms and Explosives; and other Federal, State, and local agencies.

GOVERNMENTWIDE ACTIVITIES—GOAL 1

Participation on Committees, Working Groups, and Task Forces

- *Interagency Fraud and Risk Data Mining Group.* The OIG Data Analysis and Special Programs Division continues to participate in this working group to hear from experts in the fields of data mining and risk analysis. The group is a collection of investigators and auditors within the Federal inspector general community who share fraud detection and prevention best practices, modeling tools, and techniques.
- *The Federal Bureau of Investigation's (FBI) National Joint Terrorism Task Force.* One OIG special agent is assigned full-time to the national task force and other special agents work with local task forces. While the national task force special agent attends threat briefings and provides terrorist intelligence products to OIG and other USDA agencies and offices, local task forces work on matters that involve the investigation of both criminal activity and intelligence gathering involving individuals or entities that may have connections to terrorist activity or may provide support for terrorist activity. Overall, OIG's participation provides an excellent conduit for sharing critical law enforcement intelligence and has broadened the FBI's and other law enforcement agencies' knowledge of how to conduct criminal investigations connected to food and agriculture.

- *The FBI's Joint Interagency Agroterrorism Working Group.* OIG's Emergency Response Team continues to participate in this working group, which develops protocols and procedures for the FBI, APHIS, and OIG to coordinate their response to agroterrorism.
- *U.S. Marshals Service Fugitive Task Forces.* OIG agents in Minnesota, Mississippi, and North Dakota participate on these task forces, which were established under the Presidential Threat Protection Act of 2000. The purpose of these task forces is to locate and apprehend the most dangerous fugitives and assist in high-profile investigations. In addition to providing assistance in locating fugitives, task forces can provide help in serving warrants.
- *Arrowhead Counter-Terrorism Task Force.* OIG participates in a group of regional law enforcement and emergency response providers, led by the FBI field office in Duluth, Minnesota, which meets monthly for training sessions and sharing information on various terrorist organizations, as well as related topics, such as crisis response scenarios.
- *Anti-Terrorism Advisory Councils.* In many judicial districts, including the Northern District of Illinois, the Northern and Southern Districts of Iowa, the Eastern District of Michigan, the Eastern and Western Districts of Missouri, the Eastern District of North Carolina, and the Districts of Colorado, Kansas, Minnesota, North Dakota, and South Dakota, OIG participates on Anti-Terrorism Advisory Councils. These councils are umbrella organizations including local, State, and Federal agencies and private-sector security representatives that work with the U.S. Attorney's Offices for their geographic areas to disrupt, prevent, and prosecute terrorism through intelligence-sharing, training, strategic planning, policy review, and problem-solving.
- *San Bernardino Rural Crimes Task Force.* OIG is one of several law enforcement agencies participating on a task force to combat crimes in rural areas in southeastern California, with a special focus on animal-fighting investigations. Other participating agencies include the San Bernardino County Sheriff's Department; the California Department of Food and Agriculture; Fish and Game; APHIS; and the Food Safety and Inspection Service (FSIS); and prosecutors from San Bernardino and Riverside Counties, California.
- *Victim/Witness Task Force.* OIG investigators in Minnesota participate on this Federal multi-agency group which focuses on working for and protecting crime victims and witnesses in the criminal justice process.
- *Human Trafficking Task Force.* OIG agents serve on another Minnesota group that works with victims affected by human trafficking for labor or sexual purposes. This group discusses issues related to both victims and perpetrators of human trafficking crimes, actions being taken to combat these crimes, and cases which have achieved successful results.

ONGOING REVIEWS FOR GOAL 1

- Assessment of inspection personnel shortages in processing establishments (FSIS),
- Application of FSIS' sampling protocol for testing beef trim for *Escherichia coli* O157:H7 (FSIS),
- Review of appeals of humane handling noncompliance records (FSIS),
- USDA's controls over shell egg inspections (FSIS, APHIS, Agricultural Marketing Service (AMS)),
- Food defense verification procedures (FSIS),
- *Escherichia coli* testing of boxed beef (FSIS),
- Inspection and enforcement activities at swine slaughterhouses (FSIS),
- Effectiveness of the Smuggling, Interdiction, and Trade Compliance Unit (APHIS),
- Followup on APHIS' implementation of the Select Agent Program (APHIS),
- APHIS' oversight of research facilities (APHIS),
- Verifying credentials of veterinarians employed or accredited by USDA (FSIS, APHIS), and
- Implementation of the Public Health Inspection System for domestic inspection (FSIS).

**ONGOING REVIEWS FOR GOAL 1
UNDER RECOVERY ACT FUNDS**

- Rehabilitation of flood control dams—phase 2 (Natural Resources Conservation Service (NRCS)).

OIG's annual plan for future audit and investigative work under this goal may be found online at <http://www.usda.gov/oig/webdocs/2012ABPFinal.pdf>.

Integrity of Benefits

OIG Strategic Goal 2: Reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to program participants

OIG conducts audits and investigations to ensure or restore integrity in the various benefit and entitlement programs of USDA, including a variety of programs that provide payments directly and indirectly to individuals or entities. Some of these programs involve significant amounts of Federal funds: SNAP alone accounted for approximately \$72 billion in FY 2011 benefits, while well over \$18 billion annually is spent on USDA farm programs. Intended beneficiaries of these programs include the working poor, hurricane and other disaster victims, and schoolchildren, as well as farmers and ranchers. These programs support nutrition, farm production, and rural development.

Under the Recovery Act, USDA received about \$28 billion in funding for programs in a number of areas, including farm loans, watershed programs, supplemental nutrition assistance, wildland fire management, and several rural development programs (such as rural housing, rural business, water and waste disposal, and broadband). The Recovery Act also provided OIG with \$22.5 million (to remain available until December 31, 2012) for “oversight and audit of programs, grants, and activities funded by this Act and administered by the Department of Agriculture.”

Since the Recovery Act was enacted, OIG has been working with USDA and the Inspector General community, as well as the Government Accountability Office and the Recovery Accountability and Transparency Board (Recovery Board), to carry out oversight responsibilities. Our Recovery Act oversight plan includes proactive, short-term, and long-term audit and investigative work. It can be found on our website at <http://www.usda.gov/oig/recovery/OIGSTIMULUSPLAN.pdf>.

As Recovery Act funding for USDA programs, and the additional oversight funds for OIG, is winding down in 2012, we are concluding the remaining projects we have underway. At present, we have 32 Recovery Act projects currently ongoing, and 2 scheduled to begin during the remainder of FY 2012. Many of our remaining projects review how USDA is reporting the results of its Recovery Act projects, especially the number of jobs created or saved.

OIG continues to work closely with the Recovery Board and other Inspector General offices to coordinate analytical and investigative work of potential Recovery Act fraud. Since the passage of the Recovery Act in 2009, we have received over 100 allegations of misuse of Recovery Act funds. We continue to assess the validity of the allegations and, when appropriate, initiate criminal investigations. As of this reporting period, we have several ongoing investigations involving potential misuse of Recovery Act funds.

In the first half of FY 2012, we devoted 49 percent of our total direct resources to Goal 2, with 97 percent of these resources assigned to critical/high-impact work. A total of 93 percent of our audit recommendations under Goal 2 resulted in management decision within 1 year, and 72 percent of our investigative cases resulted in criminal, civil, or administrative action. OIG issued 15 audit reports under Goal 2 during this reporting period. OIG’s investigations under Goal 2

yielded 283 indictments, 151 convictions, and about \$31.9 million in monetary results during this reporting period.

Management Challenges Addressed UNDER GOAL 2

- Interagency Communication, Coordination, and Program Integration Need Improvement (also under Goals 1 and 3)
- Strong, Integrated Internal Control Systems Still Needed (also under Goals 3 and 4)
- Information Technology Security Needs Continuing Improvement (also under Goal 3)
- The American Recovery and Reinvestment Act of 2009 Needs to be Effectively Implemented (also under Goals 3 and 4)
- Efforts to Identify, Report, and Reduce Improper Payments Need to be Strengthened (also under Goal 3)

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 2

AMS Needs to Ensure that Organic Milk Meets Standards

AMS operates the National Organic Program to develop, implement, and administer national standards governing the marketing of organic agricultural products and to assure consumers that such products meet consistent standards. Based on our review of how milk is labeled as organic, OIG determined that AMS can take steps to better ensure that consumers who choose to pay a premium for organic milk are receiving the high-quality product they wish to purchase. Specifically, the National Organic Program needs to conduct an analysis of methods for detecting genetically modified (GM) material in order to determine if guidance is needed regarding the detection of GM feed and forage; provide greater transparency in its yearly list of USDA-certified organic operations; ensure that certifying agents (the organizations that verify production and handling practices meet established organic standards) are adequately addressing milk transporter responsibilities in organic system plans; and develop guidance for certifying agents to use when conducting unannounced inspections. By taking these actions, AMS can promote greater confidence that milk labeled as “USDA Organic” meets the standards consumers expect. AMS generally agreed with our findings and recommendations. (Audit Report 01601-0001-Te, Agricultural Marketing Service: National Organic Program—Organic Milk)

FNS Needs to Ensure That Its Anti-Fraud Database Is Complete and Well Organized

To search for signs of fraud, waste, and abuse within SNAP, FNS tracks SNAP electronic benefits transfer (EBT) transactions, using the Anti-Fraud Locator EBT Retailer Transactions (ALERT) system. We reviewed complete EBT transaction files used to populate FNS’ ALERT system, and found that while most files were present, they were incomplete and disorganized. Specifically, of the 19,345 files from 53 States and territories, FNS was unaware that 75 files from 18 States were missing. We also found duplicate files, and different files with the same names. This occurred because, although FNS backs up its EBT transaction files regularly, the agency did not have processes in place to check for missing data or to consistently manage multiple versions of files. We recommended that FNS establish documented procedures to comprehensively check for missing files prior to archival, and establish standard naming and

organization conventions to differentiate the most recent and accurate data. FNS agreed and has begun taking steps to strengthen system controls. (Audit Report 27002-0001-DA, Analysis of Supplemental Nutrition Assistance Program Anti-Fraud Locator EBT Retailer Transactions Database)

FNS Needs to Ensure That SNAP Benefits Are Reaching Only Eligible Recipients

As part of our ongoing efforts to help minimize fraud, waste, and abuse within SNAP, OIG is performing a series of audits analyzing 10 States’ participant databases. State agencies are required to check their information against Federal and State databases to ensure, for example, that people using deceased individuals’ social security numbers do not receive benefits, or that their submitted income is the same as is listed in official records.

To date, we have finalized work in 7 of 10 States—Alabama, Florida, Kansas, Louisiana, Mississippi, Missouri, and Texas—and found a total of 13,936 recipients who were receiving potential improper payments totaling about \$1.9 million, monthly:

	Recipients/Households Questioned	Estimated Benefits per Month
Alabama	1,639	\$207,989
Florida	2,689	\$380,225
Kansas	883	\$109,845
Louisiana	2,374	\$303,273
Mississippi	1,009	\$123,643
Missouri	1,246	\$229,083
Texas	4,096	\$523,551
TOTAL	13,936	\$1.9 million

Taken within the context of SNAP as a whole, our findings to date do not represent large monetary sums (they represent only 0.1 percent to 0.3 percent of the total SNAP payments in the seven States involved). They do, however, show areas where FNS and the States could make progress in reducing potential improper payments.

In our reports, we recommended that FNS require the States to ensure they use a national database to perform death matches and social security number verifications, and that they perform checks to make sure information is entered correctly. We also recommended that the State agencies review the individuals’ records we identified and recover improper payments, as appropriate. Generally, FNS agreed. (Audit Report 27002-0004-13, Analysis of Alabama’s Supplemental Nutrition Assistance Program Eligibility Data; Audit Report 27002-0002-13, Analysis of Florida’s Supplemental Nutrition Assistance Program Eligibility Data; Audit Report 27002-0001-13, Analysis of Kansas’ Supplemental Nutrition Assistance Program Eligibility Data; Audit Report 27002-0003-13, Analysis of Louisiana’s Supplemental Nutrition Assistance Program Eligibility Data; Audit Report 27002-0005-13, Analysis of Mississippi’s Supplemental Nutrition Assistance Program Eligibility Data; Audit Report 27002-0007-13, Analysis of

FNS Needs to Improve its Monitoring of Meal Counts in the Child and Adult Care Food Program (CACFP)

FNS' CACFP provides nutritious meals and snacks to participants in daycare institutions, such as childcare centers, daycare homes, and adult daycare centers. These CACFP sites are reimbursed based on the number of eligible meals and snacks served to children and adults, so the meal counts they provide to their respective States are a critical part of how CACFP operates. Based on our visits to 56 high-risk sites in Florida and Michigan, we found that one third of the sites visited were historically claiming more meals than we observed during our visits. These problems occurred because FNS and the States rely largely on the monitors' limited reviews to ensure that the sites are reporting accurate meal claims and complying with FNS program requirements. However, the monitors do not fully utilize data analysis to target higher risk sites, and there are also weaknesses concerning the timing of reviews and the consistency of analysis performed during monitoring visits.

We recommended that FNS and the States work with States' program sponsors to improve their monitoring techniques to ensure site visits occur throughout the month, use consistent, standardized guidance, and develop inexpensive, readily available data analysis tools to identify higher risk sites for additional review. FNS concurred with our recommendations. (Audit Report 27099-0001-DA, Food and Nutrition Service Identifying Areas of Risk in the Child and Adult Care Food Program Using Automated Data Analysis Tools)

Michigan Mortgage Firm Will Pay Government \$6.2 Million as Employees Are Sentenced for Fraud

As we reported in the *SARC, First Half of FY 2011*, an OIG investigation found that a mortgage company and its employees in Michigan committed a multi-million-dollar fraud against the Rural Housing Service's (RHS) guaranteed single family home loan program by routinely submitting falsified loan applications that included false income certifications, forged application signatures, and fraudulent payment records. We found that a branch manager of the mortgage firm, his brother, and the employees they supervised originated 271 RHS guaranteed single family home loans between 2001 and 2003, valued at over \$38 million, based on fraudulent applications. As a result, RHS guaranteed at least \$6.1 million in mortgage loans based on false information and has lost at least \$1.5 million to date when ineligible buyers defaulted on the loans.

In December 2011, in U.S. District Court, Eastern District of Michigan, the former branch manager was sentenced to 18 months' incarceration, ordered to pay \$1 million in restitution to Rural Development (RD)—with \$50,000 due immediately—and fined \$20,000. The manager's brother was sentenced to 12 months and 1 day in prison and was ordered to pay \$570,732 in restitution. Also in December 2011, a civil settlement was filed in which the mortgage company agreed to pay \$6.2 million to RD and the U.S. Department of Justice. As previously reported, two subordinate employees pled guilty in March 2010 to theft of Government funds, and were

each sentenced to 24 months' probation and ordered to pay restitution of \$654,000 and \$206,475, respectively.

Rural Business-Cooperative Service (RBS) Guaranteed Loan Conspiracy Results in Prison Sentences and Millions in Restitution

An OIG investigation found that multiple individuals participated in a scheme to inflate the value of live catfish inventory and other property on a Mississippi catfish farm so that a Mississippi man could fraudulently obtain a \$9.5 million RBS Business and Industry (B&I) guaranteed loan for the purpose of purchasing the farm. The loan exceeded the true value of the property by several million dollars. The investigation also led to charges against other conspirators, including the seller of the property, the buyer's attorney, the appraiser, a business consultant, a farm manager, and a former RD official. In October 2011, in U.S. District Court, Northern District of Mississippi, the borrower who obtained the RBS loan was sentenced to serve 60 months in prison and was ordered to pay \$18,000 in restitution. Also in October 2011, a corporation owned by the man who sold the farm entered a corporate guilty plea to one count of conspiracy and agreed to pay restitution of \$4.3 million over 6 years. That same month, the former farm manager pled guilty to conspiracy, and the former RD official entered into a pretrial diversion program for 12 months and agreed to pay \$10,000 in restitution. As we reported in the *SARC, 1st Half of 2003*, the consultant and the farm appraiser pled guilty to violations including conspiracy, bribery, and false statements. The consultant was sentenced to 20 months in prison and was ordered to pay restitution of nearly \$5.9 million. The appraiser was sentenced to serve 6 months of home confinement and was fined \$10,000.

Four Individuals Guilty of Fraud Involving Rural Hospital in Mississippi

In November 2005, RD guaranteed a \$27.3 million loan to a group of physicians to purchase a hospital owned by the city and the county where it was located. However, in 2007, the hospital went into default, and bankruptcy was filed. In September 2009, RD sold the hospital at an \$18 million loss. An investigation found that key individuals involved in the purchase and operation of the hospital had engaged in bribery, kickbacks, embezzlement, healthcare fraud, and false statements, which directly contributed to the default. As a result of our investigation, five individuals were charged in U.S. District Court, Northern District of Mississippi, with a variety of offenses including making false statements, mail fraud, theft, bribery, embezzlement, and health care fraud. One physician and a former county administrator pled guilty to charges of mail fraud, theft, and bribery. In March 2012, a Federal jury found two other defendants guilty of multiple offenses, including embezzlement, kickbacks, and lying to investigators. The fifth defendant was indicted but died before further action was taken.

Mississippi Woman Sentenced for Embezzling from RHS Apartment Complexes and Other Businesses

In March 2012, in U.S. District Court, Southern District of Mississippi, a woman who embezzled funds from a company that managed apartment complexes was sentenced to 89 months in prison, followed by 60 months' supervised release, and was ordered to pay \$507,000 in restitution. Our investigation disclosed that this woman embezzled over \$390,000 from the company by

transferring money out of business bank accounts, altering business bank records to conceal the theft, and fraudulently obtaining and using a business credit card for her personal use. The company oversaw the management and maintenance of apartment complexes throughout Mississippi, including 11 complexes which were constructed under RHS' Multi-Family Housing Program. Of the \$390,000 stolen, \$70,000 were Federal funds held as security by RD for the Multi-Housing Program loan. The woman was charged in June 2011 with two counts of bank fraud, one count of theft of public money, and one count of aggravated identity theft. She pled guilty in October 2011 to one count of bank fraud and one count of aggravated identity theft.

Maine Couple Sentenced for Hiding Income and Marital Status to Obtain RHS Rental Assistance and Other Federal Benefits

In November 2011, in U.S. District Court, District of Maine, a husband and wife were each sentenced to 60 months of supervised probation and ordered to pay restitution of \$53,181 and \$64,106, respectively, for filing false information in order to receive unauthorized RHS rental assistance payments and other Federal benefits. Our investigation determined that, from June 2003 through October 2008, the couple conspired to defraud RHS by failing to report Supplemental Security Income payments which the wife received from the Social Security Administration. In addition, they also conspired to misrepresent their marital status for a number of years so that the woman could receive Supplemental Security Income and SNAP benefits to which she was not entitled.

Northern California Businessman Commits Fraud to Obtain Farm Service Agency (FSA) Loans

In December 2011, in U.S. District Court, Northern District of California, a businessman was sentenced for submitting false statements on several FSA loan applications and making false representations to a bank. He was ordered to serve 50 months in prison, followed by 60 months of supervised released, and ordered to pay a total of \$800,000 in restitution to FSA and the bank he defrauded. The man submitted the false information on behalf of a company he controlled to obtain FSA loans and a line of credit from the bank. In December 2010, he was charged with making a false statement to a Government agency, bank fraud, and aggravated identity theft. He pled guilty in July 2011 to the first two charges.

Mississippi Farmer Convicted at Trial of Conspiracy and Conversion of Mortgaged Property

In October 2011, in U.S. District Court, Northern District of Mississippi, a farmer was sentenced to 60 months' probation and ordered to pay \$315,559 in restitution to FSA for violations involving a Commodity Credit Corporation (CCC) loan. Our investigation disclosed that the farmer conspired with others to fraudulently apply for and receive a CCC rice loan in the amount of \$173,592. The rice, which was security for the loan, was subsequently sold and the funds were converted to the farmer's personal use. The farmer was charged with conspiracy and conversion of mortgaged property in January 2010, and was found guilty by a jury in March 2011. The farmer's co-conspirators died before charges could be filed against them.

Farmer Conceals Sale of FSA Collateral by Selling Livestock Using Family Members' Names

In November 2011, in U.S. District Court, Eastern District of Oklahoma, a farmer was sentenced to 48 months' probation, including 6 months' home detention, and was ordered to pay \$69,821 in restitution to FSA for conversion of mortgaged property. Our investigation found that he disposed of \$300,000 in livestock mortgaged to FSA without obtaining authorization and failed to use the proceeds to repay his FSA debt. From February 2006 through May 2009, the farmer used the names of family members to sell approximately \$186,000 of pledged livestock without FSA's approval.

North Carolina Residents Sentenced for Tobacco Insurance Fraud

In a spin-off to an investigation we conducted in North Carolina, OIG and the Internal Revenue Service-Criminal Investigation (IRS-CI) determined that, from 2006 to 2008, multiple people in North Carolina conspired to defraud crop insurance companies of approximately \$3.9 million by filing false loss claims that were ultimately reimbursed by USDA. Several tobacco farmers, a tobacco warehouseman, and a grocery store owner participated in a scheme in which tobacco brokers and other buyers issued checks in the names of nominee payees, rather than the actual tobacco producers, so that the sales proceeds could be hidden and the farmers could file false insurance claims on purportedly failed tobacco crops. During this reporting period, in U.S. District Court, Eastern District of North Carolina, sentences was handed down against a man who facilitated the cashing of the fraudulent tobacco checks. In November 2011, a man who physically cashed the nominee checks and then distributed payments to the co-conspirators was sentenced to 60 months of probation, with the first 24 months under house arrest, and was fined \$75,000 for his role in the conspiracy. The owner of a grocery store, who cashed approximately \$3.9 million of the fraudulent tobacco checks, was previously sentenced to 60 months of probation and forfeited \$214,500 in criminal proceeds.

Illinois Farmer Sentenced for Bankruptcy Fraud and Money Laundering

In August 2010, the Internal Revenue Service (IRS) arrested an Illinois farmer for bankruptcy fraud and money laundering because he used the names of shell companies to sell corn and avoid liens that banks held against his assets. After his arrest, the Risk Management Agency (RMA) and OIG conducted a joint investigation into his activities. We determined that the farmer underreported his crop production in 2009 and 2010, thus defrauding the Government of more than \$500,000. The farmer pled guilty in U.S. District Court, Central District of Illinois, to money laundering and bankruptcy fraud. In February 2012, he was sentenced to 51 months in Federal prison and ordered to pay restitution totaling \$1.8 million to a private bank and to his father. The farmer also accepted a debarment agreement under which he will be voluntarily disqualified from all USDA programs for 5 years.

New York Non-Profit Organization Chief Executive Officer (CEO) Sentenced for Forging FSA Employee's Signature in Loan Fraud Scheme

As reported in the *SARC, Second Half of FY 2011*, the CEO of a New York non-profit organization was found guilty of two counts of wire fraud in U.S. District Court, Southern District of New York in July 2011. Our investigation revealed that he forged the signature of an FSA employee on a fraudulent grant agreement and attempted to use the fraudulent document to obtain loans from two financial institutions. In October 2011, the CEO was sentenced to 13 years and 6 months in prison, to be followed by 3 years' supervised release, and ordered to pay a special assessment of \$200. This investigation was worked jointly with the U.S. Secret Service.

SNAP TRAFFICKING

A significant portion of OIG's investigative resources are dedicated to ensuring the integrity of SNAP by combating the practice of exchanging benefits for cash, which is known as "trafficking." In the first half of FY 2012, OIG has concluded the following SNAP-related investigations and prosecutions:

- **Stores in New York Charged With SNAP Trafficking and Money Laundering**—Working jointly with Federal, State, and local authorities, OIG investigators found that 10 stores in the Utica and Rochester, New York, areas illegally redeemed more than \$4 million in SNAP benefits from 2008 through 2010. As a result of these investigations, two store owners and an employee of one of the stores in Rochester were arrested and charged with trafficking in U.S. District Court, Western District of New York. The employee pled guilty and, in January 2012, was sentenced to 60 months of probation and ordered to pay restitution of \$84,243. Sentencing is pending for the owners of the store.
- **Two South Carolina Convenience Stores Exchanged SNAP Benefits for Cash, Cigarettes, and Clothing**—An OIG investigation resulting from escalation of a USDA FNS retailer investigations case and an FNS referral, and conducted jointly with the Richland County, South Carolina, Sheriff's Office, and IRS-CI, found that between January 2009 and October 2011 two convenience stores owned by a man and his nephew illegally exchanged more than \$4 million in SNAP benefits for cash and ineligible products, such as cigarettes and clothing. Both store owners, as well as two employees, have been charged with and pled guilty to Federal trafficking violations in U.S. District Court, District of South Carolina. In February 2012, one of the store owners was sentenced to 41 months in prison and was ordered to pay \$2.3 million in restitution, while one of the employees was sentenced to 5 years' supervised probation, including 8 months of electronic monitoring. In March 2012, the other store owner was sentenced to 60 months in prison and ordered to pay \$1.6 million in restitution. Another employee was sentenced to 18 months in prison.
- **Owners of Michigan Grocery Store Sentenced for Multiple Crimes, Including SNAP Trafficking and Illegally Transmitting Funds to Somalia**—A multi-agency investigation in Grand Rapids, Michigan, resulted in lengthy prison terms for three family members engaged in SNAP fraud, as well as fraud involving U.S. Department of Housing and Urban Development programs, the U.S. Department of Education Pell Grant program, and assistance programs administered by the U.S. Department of Health and

Human Services. The family operated a small grocery store that our investigation determined trafficked approximately \$470,000 in SNAP benefits from December 2008 through July 2009. During the same time period, the owners moved approximately \$100,000 to Somalia by operating an illegal money remittance business. The investigation further determined that, from 2006 through 2009, the family members personally received approximately \$120,000 from SNAP, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and Medicaid; \$44,000 in housing assistance; and \$24,000 in Pell grants. However, the income generated by the store made them ineligible to participate in these programs. In February 2012, the three individuals were sentenced in U.S. District Court, Western District of Michigan, to prison terms ranging from 8 months to 84 months and ordered to pay restitution of \$658,636. This investigation was coordinated with OIG agents from the U.S. Department of Education, the U.S. Department of Health and Human Services, and the U.S. Department of Housing and Urban Development.

- **Owner and Employees of Detroit Store Trafficked SNAP Benefits for Cash, Prescription Drugs, and Illegal Items**—In October 2011, in U.S. District Court, Eastern District of Michigan, a Detroit store owner was sentenced to serve 30 months of incarceration and was ordered to pay restitution of \$141,672 as a result of our investigation into SNAP trafficking at his store. Our investigation disclosed that the owner and his employees regularly exchanged SNAP benefits for cash and ineligible items including prescription drugs and non-food products. In December 2010, the two employees each pled guilty to one count of wire fraud and were sentenced in April 2011 to serve 36 months of supervised release; one was ordered to pay restitution of \$129,867, the other \$37,803. In February 2011, the store owner was charged with SNAP fraud and being a felon in possession of a firearm; he pled guilty to both charges that same month. We conducted this investigation in conjunction with the Michigan State Police as members of an ongoing task force called the Bridge Card Enforcement Team.
- **Lansing Store Owners and Employees Sentenced to Lengthy Prison Terms for Exchanging SNAP Benefits for Cash, Narcotics, and Firearms**—In October and November 2011, in U.S. District Court, Western District of Michigan, two owners and three employees of a small convenience store in Lansing were sentenced to prison terms ranging from 18 months to more than 16 years and were ordered to pay restitution ranging from \$215,868 to \$496,089. Our investigation determined that these individuals were illegally accepting SNAP benefits in exchange for cash and narcotics, including heroin, cocaine, and marijuana. In some cases, they also accepted SNAP benefits in exchange for firearms. In May 2011, the owners and three employees were charged with a variety of crimes, including conspiracy; SNAP fraud; distribution of cocaine, heroin, and marijuana; and possession of a firearm by a convicted felon. All subjects subsequently pled guilty. This investigation was conducted jointly with IRS-CI and the Lansing Police Department's Special Operation Division.
- **Owners of a Store in Wichita, Kansas, Sentenced in SNAP Conspiracy**—In December 2011, in U.S. District Court, District of Kansas, a husband and wife were sentenced to Federal prison terms of 18 months and 6 months, respectively, for

trafficking in SNAP benefits at their Wichita grocery store. The couple was also ordered to pay \$450,000 in restitution and will forfeit \$187,100 that was seized during the investigation. Beginning in July 2010, the store owners conspired in a SNAP trafficking scheme with a third individual, a “runner,” who collected EBT cards from SNAP recipients at a homeless shelter and elsewhere, and brought the cards to the store to exchange benefits for a discounted amount of cash. The runner has pled guilty to conspiracy to defraud and was ordered to pay \$20,000 in restitution. Additionally, four SNAP recipients who sold benefits at the grocery store were convicted of fraud and sentenced to supervised release and restitution. Some SNAP recipients have been disqualified from receiving benefits for a time, and OIG is working with the State of Kansas to disqualify additional SNAP recipients who were not charged criminally. The store has been disqualified from participating in SNAP and was assessed an administrative penalty of more than \$100,000.

- **South Texas Store Owner and Two Employees Sentenced for \$3.1 Million in SNAP Trafficking**—In January 2012, in U.S. District Court, Southern District of Texas, a Brownsville supermarket owner was sentenced to 46 months in prison and was ordered to pay \$2.5 million in restitution for conspiring to illegally exchange SNAP benefits at his supermarket. Two employees were previously sentenced to 12 months’ probation and ordered to pay \$500 fines. The subjects were also operating an unlicensed money service business known as a “*hawala*,” an informal transfer system that enables individuals to send remittances overseas even though money does not pass through the banking system. SNAP recipients who sold their benefits to the store are being prosecuted by local authorities.
- **Washington Store Owner and Associate Sentenced to Prison for Defrauding SNAP of \$2 Million**—In December 2011, in U.S. District Court, Western District of Washington, a Seattle store owner was sentenced to 21 months in Federal prison and was ordered to pay nearly \$1.5 million in restitution. The owner was also ordered to forfeit two vehicles and \$133,538 in cash that was seized from her bank account. During the course of our investigation, we learned that the store owner exchanged more than \$2 million in SNAP benefits for cash and used “runners” to bring SNAP recipients to the store to make the illegal transactions. The owner was charged and pled guilty in March 2011 to one felony count of the unlawful use of food benefits; her main “runner” was sentenced in November 2011 to 18 months in Federal prison and was ordered to pay \$400,000 in restitution. The store has been permanently disqualified from participating in SNAP.
- **SNAP Recipient Stole Another’s Identity to Fraudulently Obtain Benefits**—In February 2012, in U.S. District Court, District of Maine, a SNAP recipient was sentenced to 42 months in prison and was ordered to pay \$198,819 in restitution for a variety of crimes, including the theft of Federal housing assistance, student aid, health care benefits, nutrition assistance, passport fraud, Social Security fraud, and aggravated identity theft. A joint Federal and State investigation found that, over the past 25 years, this man assumed the identity of a U.S. citizen and used the victim’s identity to fraudulently obtain three U.S. passports, a social security number, and \$198,819 in Government education,

housing, health care, and SNAP benefits. This investigation was conducted jointly with the FBI; the U.S. Department of State-Bureau of Diplomatic Security; the U.S. Immigration and Customs Enforcement; the Maine Department of Health and Human Services; and the Inspectors General of the Social Security Administration, the U.S. Department of Housing and Urban Development, the U.S. Department of Health and Human Services, and the U.S. Department of Education.

- **Montana SNAP Recipient Sentenced for Falsifying Income on SNAP Application**—In December 2011, a Montana SNAP recipient was sentenced to 6 months of incarceration and ordered to pay \$15,582 in restitution after OIG found that the man failed to report his income when he applied for SNAP benefits and caused a loss to the Government of about \$16,000. In June 2011, he was charged in U.S. District Court, District of Montana, with theft of Federal property by fraud, Federal welfare fraud, and witness tampering. He pled guilty to theft of Federal property by fraud in August 2011.
- **Mississippi Woman Sentenced to Prison for Making False Statements about Drug Conviction to Obtain SNAP Benefits**—In November 2011, in U.S. District Court, Southern District of Mississippi, a woman was sentenced to 36 months of incarceration and was ordered to pay \$4,367 in restitution for making false statements to receive SNAP benefits. We found she falsely claimed that she had not been convicted of a felony drug offense since August 1996, when legislation took effect prohibiting anyone with such a felony conviction from receiving SNAP benefits. She was charged in January 2011 with fraudulently obtaining SNAP benefits and pled guilty in July 2011.

New York Distributor Found Guilty of Buying Infant Formula Stolen in Georgia

In the *SARC, First Half of FY 2008*, OIG reported that two criminal organizations were involved in the large-scale theft of infant formula and razors in the Atlanta metropolitan area. The stolen goods, valued at approximately \$6 million, were transported in rental trucks to a distributor in Brooklyn, New York, which arranged for their sale. In August 2010, the distributor and an employee of the company were charged in U.S. District Court, Northern District of Georgia, with conspiracy and the transportation of stolen goods. In October 2011, the distributor was found guilty of all charges during a bench trial; the company was sentenced in February 2012 to 60 months of probation, ordered to pay \$6.7 million in restitution to various retail stores victimized by the thefts, and fined \$50,000. The employee pled guilty and was sentenced in February 2012 to 37 months in prison and was ordered to pay \$931,250 in restitution jointly and severally with the distributor.

Arkansas Woman Sentenced to Prison for Making False Statements to FNS and the Social Security Administration

In October 2011, in U.S. District Court, Western District of Arkansas, a Fort Smith woman was sentenced to serve 24 months in prison and was ordered to pay a total of \$200,830 in restitution for committing fraud against WIC, the Social Security Administration, and three banks. Our investigation determined that, from December 2006 to December 2007, the woman willfully altered approximately 950 WIC vouchers she redeemed for legitimately purchased food items by

adding either a 1 or a 2 in front of the value of the dollar amount, thus inflating the value of each voucher by either \$100 or \$200. We estimate that she defrauded the WIC program of \$133,493. Three banks also suffered losses of \$8,355 as a result of paying the inflated amounts on the altered WIC vouchers to the woman's bank accounts. The woman was charged and pled guilty in June 2011.

RECOVERY ACT REVIEWS

RD Needs to Improve Its Controls Over the Loan Making Process for the B&I Guaranteed Loan Program

The Recovery Act provided RD \$130 million in budget authority for its B&I Guaranteed Loan Program. With the resulting lending level of approximately \$1.6 billion, RD guaranteed B&I loans in rural communities to bolster the existing credit structure in these communities and provide lasting community benefits. We found, based on our analysis of 55 statistically sampled loans, that RD assigned incorrect priority rankings to 68 percent of the applications, and reviewed 65 percent of the requests inadequately. The agency awarded higher priority to some loans erroneously and impaired its ability to identify potentially marginal or substandard loans before approval, which would result in higher financial obligations if the borrowers default. We also determined that, as a result of inadequate reviews, RD awarded guarantees to at least two loans that do not fully comply with eligibility regulations, and obligated at least \$6.2 million that should not have been approved. We recommended that the agency improve instructions and provide training in support of those instructions, so that it can operate the B&I Guaranteed Loan Program more effectively. RD generally agreed with our recommendations. (Audit Report 34703-0002-Te, Recovery Act—Rural Development—Business and Industry Guaranteed Loans—Phase 2)

FNS Needs to Improve How States Detect Fraud in SNAP

As part of the Recovery Act, Congress authorized increasing SNAP benefits by 13.6 percent. The Act also provided \$290.5 million in funding for State administrative expenses to handle the anticipated increase in SNAP caseloads. OIG found two issues related to the States' fraud detection efforts. First, FNS did not require the States to use the management reports provided by their EBT processor; thus, neither State we visited was using these reports to identify potentially fraudulent activities by SNAP recipients for investigation or other followup. In the course of our audit, we identified more than 2,600 questionable transactions using these reports, totaling over \$181,700 for 1 month. Second, FNS did not establish an effective review process to periodically assess the States' fraud detection efforts. Instead, FNS relied upon the information collected by the States and reported in FNS' annual State Activity Report, which we found to be of questionable accuracy. By addressing these concerns, FNS will improve the control environment for assessing the States' fraud detection efforts and for targeting recipients who are fraudulently using their SNAP benefits. FNS generally agreed with our findings and recommendations. (Audit Report 27703-0002-Hy, State Fraud Detection Efforts for the Supplemental Nutrition Assistance Program)

FSA Needs to Ensure the Accuracy of Aquaculture Grant Program Payments

Established by the Recovery Act, the Aquaculture Grant Program made \$50 million available to States to assist eligible aquaculture producers with losses associated with high feed costs during 2008. Based on our review of 4 out of the 35 participating States—Alabama, Louisiana, Mississippi, and Texas—we found that eligible producers did not always receive the correct benefits, and program reviews did not provide sufficient evidence to satisfy the Recovery Act’s emphasis on accountability and transparency. Additionally, we found that although Federal funds must be maintained in interest-bearing accounts, not all States placed the grant funds they received into such accounts. In total, based on the four States included in our review, OIG identified improper payments of \$246,845 of the \$33.8 million distributed to the selected States. We recommended that FSA determine if other States correctly calculated grant payments and correct any over- or underpayments made to these producers. FSA generally agreed with our findings and agreed to implement the recommended corrective actions. (Audit Report 03703-0002-Ch, Farm Service Agency Controls Over Aquaculture Grant Recovery Act Funds—Phase 2)

FSA Ensured the Eligibility of Producers Participating in the Supplemental Revenue Assistance Payments Program

Since the Recovery Act increased assistance levels and expanded participation in FSA’s Supplemental Revenue Assistance Payments Program, OIG reviewed the eligibility of the producers enrolled in the program. Based on our review of a statistical sample of producers, we found that the producers were eligible and that FSA issued payments for qualified losses. We did find, however, that 35 out of the 125 producers’ files had workbook calculation errors. OIG has noted this problem before, and FSA officials stated that they have implemented more automated controls and edits to the program workbook that will help prevent these errors from recurring. Accordingly, OIG made no recommendations to the agency. (Audit Report 50703-0001-31, Farm Service Agency—Supplemental Revenue Assistance Payment Program—American Recovery and Reinvestment Act of 2009)

NRCS Needs to Improve How It Handles Purchasing Easements With Structures

The Recovery Act allocated \$145 million to NRCS’ Emergency Watershed Protection Program, which acquires conservation easements from eligible landowners in order to restore floodplains to their natural condition. Since some States opted to use Recovery Act funds to purchase easements on lands that had houses on them, OIG assessed NRCS’ policies and procedures for such acquisitions, and found that they were inadequate. While easement agreements prohibit landowners from diminishing the property’s values, NRCS allowed several landowners to strip fixtures, salvage construction materials, or even remove entire buildings in ways that raised questions about whether the removal affected the value of the easements. As a result of deficiencies in NRCS’ policies, for example, one landowner was allowed to, effectively, sell a \$197,000 house to NRCS, keep it by moving it to another lot, and also receive assistance from NRCS for the house-moving costs. We recommended that NRCS develop internal controls over its processes for acquiring easements with buildings. NRCS agreed and we reached management decision when the report was issued. (Audit Report 10703-0003-KC, Natural Resources

Conservation Service—Recovery Act, Emergency Watershed Protection Program Floodplain Easements, Easement Applications on Non-Agricultural Land)

GOVERNMENTWIDE ACTIVITIES—GOAL 2

Testimony Presented Before Congress

- *The House Agriculture Committee’s Subcommittee on Department Operations, Oversight, and Credit.* On December 1, 2011, Inspector General Phyllis Fong and senior OIG officials testified on OIG’s work to prevent SNAP fraud and review the Department’s IT programs. The Inspector General informed the Subcommittee of OIG’s ongoing series of audits analyzing 10 States’ SNAP participant databases. OIG has recommended that FNS ensure the State agencies use a national database to perform death matches and social security number verifications, as well as checks to make sure information is entered correctly. She also noted that, in FY 2011, OIG’s SNAP investigations resulted in 179 convictions and monetary results totaling \$26.5 million. The Inspector General described our completed and ongoing audits of the Department’s IT infrastructure. She highlighted OIG’s finding that OCIO has tended to attempt too many IT projects at the same time, and recommended that it prioritize work to focus on completing a few projects.
- *The House Committee on Appropriations’ Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.* On February 29, 2012, Inspector General Phyllis Fong provided testimony on OIG’s FY 2013 budget request. She reported that, in FY 2011, OIG’s audit and investigative work obtained potential monetary results totaling over \$4.3 billion. She also reported that OIG is now starting the final phase of our Recovery Act audit objectives, which emphasize how agencies are reporting their programs’ accomplishments. The Inspector General explained a number of steps OIG has taken to increase effectiveness with a limited budget, such as reducing travel expenses by 49 percent. She asked the Subcommittee to support the President’s request of \$89 million for OIG, and pointed out that every dollar invested in OIG has realized potential cost savings and recoveries of about \$11.42.
- *House Committee on Oversight and Government Reform.* On March 8, 2012, Inspector General Phyllis Fong presented testimony on OIG’s work to help FNS oversee SNAP and protect the program from individuals and businesses seeking to exploit it. She explained that OIG works with FNS to thwart schemes that previously disqualified retailers use to re-enter the program. The Inspector General also discussed suspension and debarment as a tool that Federal agencies can use to better protect programs from repeat abusers. Though FNS’ policy is not to pursue suspension or debarment of retailers, OIG urged FNS to consider doing so on a case-by-case basis. She informed the Committee of OIG’s ongoing work to examine FNS’ methods for determining rates of trafficking and improper payments and revisit how FNS screens new retailer applications.

Review of Legislation, Regulations, Directives, and Memoranda

- *Comments on the Office of Management and Budget’s Notice of Intent to Reform Policies Associated with Federal Grants.* OIG reviewed and commented on the Office of Federal Financial Management’s draft Federal Register notice requesting public comment on its Notice of Intent to Reform Policies Associated with Federal Grants. OIG’s comments centered on three of the notice’s provisions. First, we voiced concerns that the proposal to raise the Single Audit Act threshold from \$500,000 (the current requirement) to either \$1 million or \$5 million would subject a relatively small number of entities or awardees to such audit coverage. We also suggested that the notice be clarified to make clear whether, in instances where an entity is designated as “high risk” by a Federal agency and thus subject to full Single Audit Act coverage, the entity or the related Federal agency would be responsible for paying the costs of the audit. Finally, we expressed concern with the notice’s proposal to provide a biennial audit option for certain entities that “maintain unqualified audit opinions on their financial statements and all major programs.” We noted that such a biennial audit cycle would not capture, or subject to audit, any short-lived programs or programs that are not annual in funding.

Participation on Committees, Working Groups, and Task Forces

- *Technical Assistance to the National Institute of Food and Agriculture (NIFA).* OIG auditors continue to provide technical assistance to NIFA during its financial and administrative review of one of its grantees on the island of Oahu, Hawaii. NIFA has a long history of awarding competitive research and facility grants to this institution. In FY 2010, NIFA sought OIG’s technical assistance addressing a series of complaints from grantee employees and others, as well as an OIG hotline complaint. During this past period, OIG met with and provided feedback to NIFA staff as it addressed the grantee’s responses to NIFA’s review findings.
- *Operation Talon.* OIG began Operation Talon in 1997 to catch fugitives, many of them violent offenders, who are current or former SNAP recipients. Since its inception, Operation Talon has led to the arrests of thousands of fugitive felons. During the first half of FY 2012, Talon operations were conducted in 6 States, resulting in more than 75 arrests. OIG combined forces with Federal, State, and local law enforcement agencies to arrest fugitives for such offenses as arson, assault, blackmail, robbery, sex offenses, weapons violations, drug charges, and offenses against family and children.
- *Bridge Card Enforcement Team.* OIG investigators work with this team to investigate criminal SNAP and WIC violations. Team members include the Michigan State Police and IRS investigators. During this reporting period, we have also worked with the Lansing Police Department’s Special Operations Division and the Holland Police Department in Michigan. The FBI and U.S. Immigration and Customs Enforcement personnel also helped during search warrant operations. Since 2007, our teamwork has resulted in 119 arrests and 150 search warrants served. The U.S. Attorney’s Office for the Eastern and Western Districts of Michigan and the Michigan Attorney General’s Office are pursuing multiple criminal prosecutions, with cases so far resulting in 107 guilty pleas. Sentences have included lengthy incarceration periods and

\$22.9 million in court-ordered fines and restitution. The U.S. Attorney's Office has initiated forfeitures totaling over \$3.85 million.

- *Suspicious Activity Reports Review Teams.* OIG agents in Alabama, Iowa, Kentucky, Maine, Massachusetts, Michigan, Minnesota, Mississippi, New Hampshire, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, and Washington participate on suspicious activity review teams which are coordinated by the U.S. Department of Justice through the U.S. Attorney's Offices. These review teams systematically review all reports of suspicious activity that affect a specific geographic jurisdiction, identify individuals who may be engaged in criminal activities, and coordinate and disseminate leads to appropriate agencies for followup. These teams generally include representatives from law enforcement and various regulatory agencies, with the U.S. Attorney's Office and IRS-CI typically in lead roles. OIG focuses specifically on reports of suspected criminal activities by business entities and individuals involved in USDA programs, including SNAP and WIC violations, stolen infant formula, and farm-related cases. Coordination among the respective agencies results in improved communication and more efficient resource allocation.
- *Mortgage Fraud Task Forces.* OIG investigators participate in mortgage fraud task forces in California, Michigan, Minnesota, New Hampshire, and North Carolina, in addition to a national mortgage fraud working group that meets monthly in Washington, D.C. These task forces identify trends, share information, and coordinate investigations related to mortgage fraud. They are working to improve efforts across the Federal executive branch and, with State and local partners, investigate and prosecute significant mortgage crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. The task forces are headed by representatives from U.S. Attorney's Offices and the FBI. They are strategically placed in locations identified as high-threat areas for mortgage fraud. They include participants from Federal program agencies and regulatory agencies including the U.S. Department of Housing and Urban Development, the IRS, the Social Security Administration, local district attorney's offices, and police departments.
- *Organized Retail Theft Task Forces.* As a member of the Retail Merchants Association of North Carolina Retail Theft Initiative, OIG agents coordinate, plan, and meet regularly with various retail merchants in North Carolina to discuss a proactive investigative strategy to develop cases involving retail theft. This working group coordinates investigations of convenience stores and retail outlets which may be involved in the theft and resale of infant formula, electronics, and other retail items. As members of the Bay Area Organized Retail Crime Association, OIG agents work with San Francisco Bay Area law enforcement agencies and organized retail crime investigators from major retailers to identify and coordinate action against organized retail theft rings, as well as to identify retail items susceptible to theft by such organized groups.
- *Western Regional Inspectors General Councils and Intelligence Working Groups.* OIG investigators work with various councils and groups to develop Recovery Act training, share information, discuss ongoing and potential work of mutual interest, and strengthen

working relationships. In addition, Western Region OIG investigators organize and participate in meetings to enhance coordination among Federal, State, and local law enforcement agencies in the Pacific Northwest.

- Inspector General councils meeting in other regions of the country also include OIG representatives, including a newly established group in Tampa Bay, Florida.
- OIG agents participated in other task forces and working groups related to benefits fraud, including:
 - *Alameda County, California, Vice Enforcement Team,*
 - *Arizona Healthcare Fraud Task Force,*
 - *Disaster Fraud Working Group* in the Northern District of Alabama,
 - *Social Services/Welfare Fraud Working Groups* in Oregon and Washington State,
 - *Guardian Project Task Force* in Montana, which focuses on program-related fraud involving multiple agencies on Native American reservations, and
 - *Welfare Investigations Colorado, Arizona, and Nevada* working group.

ONGOING REVIEWS FOR GOAL 2

- National Organic Program's national list of allowed and prohibited substances (AMS),
- National Organic Program's organic milk operations (AMS),
- Biomass Conversion Assistance Program—Matching Payments Program (FSA),
- Rural Rental Housing program maintenance costs and inspections procedures (RHS),
- Conservation Reserve Program soil rental rates (FSA),
- Validity of new producers (RMA),
- Reduction of inconsistent yields (RMA),
- Oversight of organic crop insurance (RMA),
- Controls over prevented planting (RMA),
- Analysis of Massachusetts' SNAP eligibility data (FNS),
- Analysis of New Jersey's SNAP eligibility data (FNS),
- Analysis of New York's SNAP eligibility data (FNS),
- Roll up of SNAP eligibility data analysis (FNS),
- National School Lunch Program's food service management companies (FNS),
- Review of agreements reached in program complaints (Office of the Assistant Secretary for Civil Rights),
- Vendor management and participant eligibility in the WIC Program (FNS),
- Controls for authorizing SNAP retailers (FNS),
- 2008 Farm Bill's changes to payment limitations (FSA),
- Farm Storage Facility Loan Program (FSA), and
- Procurement controls (RD).

ONGOING REVIEWS FOR GOAL 2 UNDER RECOVERY ACT FUNDS

- Floodplain Easements and Watershed Operations Programs—effectiveness review (NRCS),
- Watershed Protection and Flood Prevention Operations Program—field confirmations (NRCS),
- Emergency Watershed Protection Program floodplain easements—field confirmations (NRCS),
- Loss claims related to single family housing guaranteed loans (RHS),
- Controls over the Community Facilities Direct Grant and Loan Program—phase 2 (RBS),
- Single family housing direct loans controls compliance review (RHS),
- Rural Business Enterprise Grants (RBS),
- Recovery Act impacts on SNAP (FNS),
- Review of SNAP Recovery Act performance measures (FNS),
- B&I Guaranteed Loan Program (RBS), and
- Trade Adjustment Assistance for Farmers Program (FSA, Foreign Agricultural Service (FAS), NIFA).

OIG's annual plan for future audit and investigative work under this goal may be found online at <http://www.usda.gov/oig/webdocs/2012ABPFinal.pdf>.

Management Improvement Initiatives

OIG Strategic Goal 3: Support USDA in implementing its management improvement initiatives

OIG conducts audits and investigations that focus on such areas as improved financial management and accountability, IT security and management, research, real property management, employee corruption, and the Government Performance and Results Act. Our work in this area is vital because the Department is entrusted with \$128.5 billion in public resources annually. The effectiveness and efficiency with which USDA manages its assets are critical. USDA depends on IT to efficiently and effectively deliver its programs and provide meaningful and reliable financial reporting. One of the more significant dangers USDA faces is a cyber attack on its IT infrastructure, whether by terrorists seeking to destroy unique databases or criminals seeking economic gain.

In the first half of FY 2012, we devoted 34 percent of our total direct resources to Goal 3, with 98.6 percent of these resources assigned to critical/high-impact work. A total of 100 percent of our audit recommendations under Goal 3 resulted in management decision within 1 year, and 80 percent of our investigative cases resulted in criminal, civil, or administrative action. OIG issued 17 audit reports and one Recovery Act *fast report* (quick turnaround report intended to alert management to immediate Recovery Act issues) under Goal 3 during this reporting period. OIG's investigations under Goal 3 yielded 9 indictments, 15 convictions, and \$16.7 million in monetary results during this reporting period.

Management Challenges Addressed UNDER GOAL 3

- Interagency Communication, Coordination, and Program Integration Need Improvement (also under Goals 1 and 2)
- Strong, Integrated Internal Control Systems Still Needed (also under Goal 2 and 4)
- Information Technology Security Needs Continuing Improvement (also under Goal 2)
- USDA Needs to Develop a Proactive, Integrated Strategy to Increase Agricultural Commerce and Trade
- The American Recovery and Reinvestment Act of 2009 Needs to be Effectively Implemented (also under Goal 2 and 4)
- Efforts to Identify, Report, and Reduce Improper Payments Need to be Strengthened (also under Goal 2)

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 3

USDA Needs to Make Progress Towards Resolving Longstanding IT Deficiencies

USDA has made improvements in its IT security over the last decade, but many longstanding weaknesses remain. In FY 2009 and 2010, OIG made 33 recommendations for improving the overall security of USDA's systems. In our FY 2011 FISMA audit, we noted that the Department had adequately closed only 6 recommendations, leaving 27 to be addressed.

OIG has reported on many of these remaining recommendations since 2001 when we first detailed material weaknesses in the design and effectiveness of USDA's overall IT security program. In FY 2011, we observed increased evidence of coordination, but the Department was not making measurable progress in approaching this problem collaboratively. For example, during FYs 2010 and 2011, OCIO received increased budgetary authority to enhance USDA's IT security. The Department funded 14 separate projects, but none of these projects were fully implemented during FY 2011; instead, funding was cut and nearly all of the projects were significantly scaled back, pushing implementation dates further into the future.

USDA needs to undertake a manageable number of its highest priority projects, and it needs to show progress towards milestones for each active project. USDA's inability to complete projects in a timely manner continues to hinder its progress towards improving its security posture. OCIO has responded to this audit, and we are working to reach management decision on the report's recommendations. (Audit Report 50501-0002-12, FY 2011 Federal Information Security Management Act Report)

FS Needs to Improve Its Process for Acquiring IT

FS invests in IT to support the agency's mission of sustaining the Nation's forests and grasslands. With thousands of locations to interconnect (e.g., regional offices, national forests, and ranger stations) and extensive data elements to collect and process for reporting and decision making (e.g., land management, recreation, research, and operational analysis), FS reported it spent \$670 million for IT projects from FY 2007 through 2009. However, OIG found that FS needs to ensure that these acquisitions are compatible and aligned with broader Departmental and Federal requirements and priorities. Specifically, FS can improve how it selects IT projects for acquisition, complies with the Department's acquisition approval requirements, enhances the integrity of cost and performance data submitted for oversight review, and ensures that it accurately reports the performance of its IT acquisitions. FS generally agreed with the findings and recommendations, as well as the need to address these issues. (Audit Report 08501-0001-Te, Forest Service Acquisition of Information Technology Software/Hardware)

OCIO Needs To Improve Controls Over Service Center Agencies

OCIO's International Technology Services (ITS) provides IT services and support to service center agencies Departmentwide. Among its many responsibilities is the Service Center Modernization Initiative, which emphasizes replacing aging business and technology systems and streamlining business processes. We found that, although ITS has made improvements in documenting policies and procedures, those procedures were either not being followed, or were lacking in critical areas such as scanning computer systems for known vulnerabilities, disaster recovery, physical security, and user access to computer systems. Many of the exceptions identified in this report were caused by a lack of communication and oversight between ITS and the service center agencies. This occurred because service-level agreements between ITS and the centers did not meet National Institute of Standards and Technology guidelines, such as defining ITS' and the centers' roles and responsibilities. As a result, the network and systems may be exploitable, jeopardizing the integrity of data and system resources. To address these weaknesses, we recommended that ITS develop and implement effective controls over security

scanning and access authorization. Agency officials generally agreed with our recommendations and stated that they have worked with the security center agencies to improve communication. (Audit Report 88501-0001-IT, International Technology Services Selected Controls Audit)

USDA Needs to Ensure That IT Contracting Officers Do Not Exceed Their Authority When Signing New Contracts

During the course of the FY 2011 FISMA audit, OIG found that a contracting officer in USDA's Procurement and Operations Division, Information Technology Contracting Branch, signed a contract that exceeded the officer's \$5 million warrant authority and resulted in an unauthorized commitment. We also learned that this contracting officer acted outside of a contracting officer's roles and responsibilities, disclosed sensitive contractual information to vendors, and authorized a contractor to work even though funding was not available. We noted that the Department lacks a process to adequately monitor and administer effective oversight of the IT Contracting Branch. We recommended that USDA ratify the IT contract in order to correct this unauthorized commitment, ensure all contracts are administered in accordance with procurement regulations, determine if other contracting officers have exceeded their warrants, and implement the necessary internal controls to ensure that warrant levels are not exceeded. USDA concurred with our findings and recommendations and has provided a corrective action plan. *Fast Report* (Audit Report 92501-0001-12 (1), Departmental Management [IT Contract])

AMS Needs to Better Oversee Federally Authorized Research and Promotion Boards

At AMS' request, OIG reviewed how the agency oversees the activities of the various research and promotion boards that producers, growers, and other stakeholders have created for agricultural commodities. We found that AMS could strengthen internal controls related to its oversight of board activities. Prior to November 2010, AMS had not provided sufficient clarity about its roles and responsibilities in overseeing funds used by these boards. In addition, AMS did not always ensure that boards provided critical information needed to accurately assess their activities. The revised guidelines that AMS released in November 2010 clarified the agency's oversight role by reinforcing its management reviews of research and promotion boards and strengthening policies on various administrative functions, among other improvements. We recommended that AMS could further improve its processes by developing standard operating procedures to ensure consistency in staff oversight responsibilities and by developing and implementing periodic internal reviews of the agency's program areas that oversee the boards. AMS agreed with our findings and recommendations. (Audit Report 01099-0032-Hy, Agricultural Marketing Service: Oversight of Federally Authorized Research and Promotion Board Activities)

USDA Needs to Improve the Accuracy of the Information Reported for the Improper Payments Elimination and Recovery Act

Congress enacted the Improper Payments Elimination and Recovery Act of 2010 (IPERA) to increase agency efforts to report, reduce, monitor, and resolve the problems that cause improper payments. IPERA requires OIG to determine whether USDA has complied with the Act annually, starting with FY 2011. This is OIG's first IPERA report.

USDA reported to Congress that several of its 16 “high risk” programs have considerably reduced their improper payment rates. In FY 2009, USDA estimated that, overall, these programs made 5.92 percent of their payments in error; in FY 2010, USDA reported that it reduced that rate to 5.37 percent. However, when we evaluated the improper payment information the Office of the Chief Financial Officer (OCFO) reports annually for USDA, we found that USDA did not fully comply with four of seven requirements. USDA did not always report complete information about programmatic corrective actions and meet annual reduction targets. In addition, USDA did not report estimates for 1 of the 16 high-risk programs and, for 2 of the 16 high-risk programs, reported error rates in excess of the 10 percent threshold. USDA’s overall noncompliance occurred because OCFO has not fully developed its reporting process to ensure that it reports all required information and that USDA meets its reduction targets. Because internal controls over USDA’s improper payment reporting have not been fully developed, USDA’s improper payment estimates may be understated, and USDA may have provided inaccurate information to Congress about its progress made to prevent and eventually eliminate improper payments. We recommend that OCFO enhance internal controls, including guidance, oversight, and second-party reviews over the improper payment reporting process. OCFO agreed with our recommendations. (Audit Report 50024-0001-11, U.S. Department of Agriculture Fiscal Year 2011 Improper Payments Elimination and Recovery Act of 2010—Compliance Review)

USDA FY 2011/2010 Consolidated Financial Statements

USDA’s FY 2011/2010 consolidated financial statements received an unqualified opinion. Our consideration of internal controls over financial reporting identified two material weaknesses in USDA’s overall financial management and IT security and controls. Our consideration of compliance with laws and regulations disclosed instances of noncompliance relating to the Federal Financial Management Improvement Act of 1996 (FFMIA). (Audit Report 50401-0001-11, Department of Agriculture’s Consolidated Financial Statements for Fiscal Years 2011 and 2010)

In addition to auditing USDA’s consolidated financial statements, OIG either performed or oversaw contractors as they performed audits of six USDA agencies’ financial statements:

- **RD—Unqualified Opinion on FY 2011/2010 Financial Statements**—RD received an unqualified opinion on its financial statements for FY 2011 and 2010. Our consideration of internal controls over financial reporting identified two significant deficiencies in RD’s review and documentation of credit reform re-estimate processes and controls over eligibility determinations for the single family housing guaranteed loan Recovery Act funds. Our consideration of compliance with laws and regulations did not disclose any instances of noncompliance. (Audit Report 85401-0001-11, Rural Development’s Financial Statements for Fiscal Years 2011 and 2010)
- **FS—Unqualified Opinion on FY 2011/2010 Financial Statements**—FS received an unqualified opinion on its financial statements for FY 2011 and 2010. An independent certified public accounting firm conducted the FY 2011 audit and identified significant

deficiencies in IT and issues related to the agency's property, plant, and equipment. The auditors reported that FS substantially complied with FFMIA, and did not disclose any instances of noncompliance with laws and regulations exclusive of FFMIA. Previously, another auditing firm had conducted the FY 2010 audit and expressed an unqualified opinion on those financial statements. (Audit Report 08401-0001-11, Forest Service's Financial Statements for Fiscal Years 2011 and 2010)

- **CCC—Unqualified Opinion on FY 2011/2010 Financial Statements**—An independent certified public accounting firm audited CCC's financial statements for FY 2011/2010 and issued an unqualified opinion. The report identified three significant deficiencies, including CCC's financial management system functionality, information security controls, and controls over child agency financial reporting. The auditors considered the first significant deficiency to be a material weakness. Additionally, the auditors' tests of compliance with laws and regulations disclosed noncompliance with FFMIA for both Federal financial management systems requirements and the United States Standard General Ledger at the transaction level. (Audit Report 06401-0001-11, Commodity Credit Corporation's Financial Statements for Fiscal Years 2011 and 2010)
- **NRCS—Disclaimer of Opinion on FY 2011 Financial Statements**—An independent certified public accounting firm audited NRCS' financial statements for FY 2011 and issued the agency a disclaimer of opinion. The auditors' report identified weaknesses in NRCS' accounting and controls over undelivered orders; accounting and controls over accrued expenses; controls over financial reporting; accounting and controls for property, plant, and equipment; general and application access controls; accounting and controls over revenue and unfilled customer orders; and controls over purchase and fleet card transactions. The auditing firm considered the first five deficiencies material weaknesses and the last two significant deficiencies. Additionally, the auditors tested for compliance with laws and regulations and disclosed instances of noncompliance with FFMIA. (Audit Report 10401-0001-11, Natural Resources Conservation Service Financial Statements for Fiscal Year 2011)
- **Federal Crop Insurance Corporation (FCIC)/RMA—Unqualified Opinion on FY 2011/2010 Financial Statements**—An independent certified public accounting firm audited FCIC/RMA's consolidated financial statements for FY 2011/2010 and issued an unqualified opinion on the agency's financial statements. The firm found no weaknesses related to internal controls or noncompliance with laws and regulations. (Audit Report 05401-0001-11, Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2011 and 2010)
- **FNS—Unqualified Opinion on FY 2011/2010 Financial Statements**—OIG audited FNS' financial statements for FY 2011/2010 and issued an unqualified opinion on the agency's financial statements. Although our consideration of compliance with laws and regulations disclosed one instance of noncompliance with the Improper Payments Information Act of 2002, regarding the design of program internal controls related to reporting improper payments, we reported no weaknesses related to internal controls.

(Audit Report 27401-0001-21, Food and Nutrition Service's Financial Statements for Fiscal Years 2011 and 2010)

Former FSIS Employee Sentenced to Prison for Wire Fraud and False Statements

An OIG investigation found that a former FSIS District Veterinary Medical Specialist submitted false academic credentials in order to gain employment as a veterinarian with the agency; he was subsequently paid approximately \$188,000 in salary for a position he was not qualified to hold. This employee also signed over 600 food export certificates in which he falsely represented himself as a veterinarian. In October 2011, the former FSIS employee pled guilty to wire fraud and false statements in U.S. District Court, Middle District of Georgia; he was sentenced to 21 months in prison and was ordered to pay \$187,973 in restitution.

FS Employee Sentenced for Theft of Public Funds Through Misuse of Government Credit Card

In October 2011, a former FS employee was sentenced in Minnesota State Court to 7 days in jail and 60 months of probation, and was ordered to pay \$3,288 in restitution and a \$125 fine for fraud he committed using Government credit cards. Our investigation found that this employee stole a Government-issued fleet credit card and used it to purchase more than \$460 in fuel during March and April 2011. He also used his Government-issued travel card 51 times, charging more than \$2,800 while he was not on approved travel. He was arrested and charged in September 2011 with felony theft of public funds, financial transaction card fraud, and possession of a small amount of marijuana. He pled guilty to felony theft of public funds that same month.

FS Employee in California Sentenced for Theft

In June 2011, OIG was notified that an FS employee in California used a Government gas credit card to purchase fuel for his personal vehicle. Our investigation disclosed that the employee had actually misused two separate Government credit cards. After the employee confessed to the theft, he was subsequently arrested and a search of the employee's residence revealed a missing generator belonging to the Government. In October 2011, the employee pled guilty to one count of grand theft. He was sentenced in November 2011 to 3 years' probation, fined \$1,487, and ordered to pay \$6,805 in restitution.

RECOVERY ACT REVIEWS

FNS Needs to Improve Controls for Grants to Purchase Equipment for the National School Lunch Program

The Recovery Act allocated \$100 million in grant funds to the National School Lunch Program, grants that allowed schools to purchase and renovate their food service equipment. Based on our review of 11 school food authorities in 5 States, we found that FNS did not create adequate, proactive controls to ensure that grants were awarded based on Recovery Act criteria and accurate data, and did not ensure timely reporting on Recovery.gov. We recommended that FNS continue to update and implement adequate, proactive controls for its standard competitive grant

award processes and identify areas that could be strengthened. FNS concurred with our recommendations. (Audit Report 27703-0001-HQ, Recovery Act—Food and Nutrition Service National School Lunch Program Equipment Grants)

Agricultural Research Service (ARS) Needs to Conduct Legal Reviews of Solicitations for Contracts

OIG contracted with commercial firms to assist it in ensuring that ARS' Recovery Act procurement activities for buildings and facilities' critical deferred maintenance projects were performed in accordance with the Federal Acquisition Regulation, the Office of Management and Budget's Recovery Act guidance, and USDA directives. We found that:

- ARS awarded a construction contract for major renovation of the Center Wing of the National Center for Agricultural Utilization Research in Peoria, Illinois, but did not request a legal review of the solicitation. (Audit Report 02703-0008-HQ, Agricultural Research Service Procurement Oversight Audit of National Center for Agricultural Utilization Research Contract)
- ARS awarded a sole-source, negotiated, firm-fixed price construction contract for repairs to the exterior finishes of the West Annex and the Service Buildings at the Western Regional Research Facility located in Albany, California, but did not document the acquisition planning performed or request a legal review of the solicitation. (Audit Report 02703-0009-HQ, Agricultural Research Service Procurement Oversight Audit of the Western Regional Research Facility Contract Awarded by Agricultural Research Service to Abide International, Inc.)

These issues were previously reported to ARS, and were presented in the *SARC, Second Half of FY 2011*. Since the agency agreed with our prior recommendations, we have made no additional recommendations.

GOVERNMENTWIDE ACTIVITIES—GOAL 3

Review of Legislation, Regulations, Directives, and Memoranda

- *Departmental Regulation on Suspension and Debarment.* OIG reviewed a draft USDA regulation on suspension and debarment prescribing the Departmental standards for implementing suspension and debarment procedures for all USDA nonprocurement and procurement programs or activities. The draft Departmental regulation is a positive development in USDA's ongoing effort to implement a vigorous suspension and debarment program. OIG did, however, have two main concerns with the draft regulation in its current form. First, OIG was concerned that the regulation needed to clearly state that persons who abuse USDA entitlement programs should be considered for suspension and debarment action. Second, OIG suggested that the regulation more specifically recognize the role that OIG plays in providing information to the Department about dishonest or nonresponsible individuals and entities, information that can form a basis for suspension and debarment actions.

- *SECURE IT Act.* OIG reviewed the draft SECURE IT Act, a Senate bill proposed to improve information security, and recommended inserting into the bill one current provision of FISMA that permits the annual independent evaluation of an agency’s information security program and practices to be based in whole or in part on an audit, evaluation, or other report. The SECURE IT Act, as drafted, would require agencies to conduct an “evaluation.” OIG recommended inserting the current FISMA language cited above in order to provide Inspectors General with the flexibility to conduct either an “audit” or an “evaluation,” as deemed necessary.

Participation on Committees, Working Groups, and Task Forces

- *Federal Audit Executive Council.* OIG participates in the Federal Audit Executive Council, whose main purpose is to discuss and coordinate issues affecting the Federal audit community with special emphasis on audit policy and operations of common interest to members. The council has six standing committees: Audit, Financial Statements, Information Technology, Professional Development, Contracting, and the Annual Conference. OIG’s Assistant Inspector General for Audit serves as the Chair of the Audit Committee. The Audit Committee is currently working on updating the peer review guidance and training to coincide with requirements in the December 2011 revision of the Government Auditing Standards.
- *Intra-Departmental Coordinating Committee on International Affairs.* OIG auditors continue to participate in this committee’s meetings. Headed by FAS, part of the purpose of the committee (which includes most USDA agencies) is to coordinate international activities. Some of the committee’s issues included USDA’s role in implementing the President’s national export initiative and the Department’s global market strategy; reconstruction in Haiti, Pakistan, and Afghanistan; and international food security and assistance. Our comments on a draft of the Department’s global market strategy stressed the need for performance measures and milestones.
- *Afghanistan Country Team.* As part of our committee involvement, OIG auditors continue to participate in the Afghanistan country team meetings, during which we learned that the Department was receiving funds from the U. S. Agency for International Development under the Foreign Assistance Act to help reconstruction and development. Section 632(a) of the Act gives audit and fiduciary responsibilities to OIG, and so we continue to work to ensure accountability and oversight for grants and agreements that use these funds.
- *USDA Credit Reform Workgroup.* The Financial Audit Operations Division of OIG participates on this workgroup, which is composed of representatives from all USDA credit agencies. The purpose of this workgroup is to address accounting, auditing, budgeting and reporting issues encountered by agencies subject to the Federal Credit Reform Act of 1990.
- *Financial Statement Audit Network Workgroup.* OIG auditors are members of this

workgroup, whose main purpose is to share ideas, knowledge, and experience concerning Federal financial statement audits. In conjunction with the network, OIG annually plans and hosts the Financial Statement Audit Conference for the Federal financial community.

- *Financial Fraud Enforcement Task Force (formerly National Procurement Fraud Task Force)*. OIG is a member of this task force, formed by the U.S. Department of Justice in October 2006 as a partnership among Federal agencies charged with investigating and prosecuting Government contracting and grant illegalities. The purpose of the task force has been expanded to include a wider variety of financial crimes, from securities fraud to identity theft crimes. The task force is working to better allocate resources, improve coordination in financial fraud cases, and accelerate their investigation and prosecution. OIG Investigations field offices in all OIG regions participate in procurement fraud task forces initiated by the local U.S. Attorney's Offices.
- *The FBI's Heart of America Regional Computer Forensics Laboratory*. OIG's National Computer Forensics Division currently details one examiner to the FBI's Heart of America Regional Computer Forensics Laboratory in Kansas City, Missouri. Our analyst works with the laboratory and has helped us obtain direct access to regional laboratories, training, samples of applicable policies and procedures, and, when needed, FBI assistance for OIG computer forensic work.
- *The FBI's Public Corruption Working Group*. An OIG agent is a member of this relatively new group, which is focused on combating corruption by Government officials and employees. Other member agencies include the U.S. Department of Housing and Urban Development OIG, the Mississippi Attorney General's Office, and Internal Affairs of the Jackson, Mississippi, Police Department.

Review of Legislation, Regulations, Directives, and Memoranda

- *Office of Personnel Management's (OPM) Request for Review of Draft Agreed Upon Procedures*. On February 10, 2012, OPM provided draft procedures for this annual review of payroll providers which is designed to assess the reasonableness of retirement, health benefits, and life insurance withholdings and contributions. The review also assists OPM in identifying and correcting errors relating to processing and distributing Combined Federal Campaign payroll deductions. On February 16, 2012, OIG noted an inconsistency within the draft procedures and suggested a correction to a mathematical formula contained therein. OPM agreed to make the changes suggested.

ONGOING REVIEWS FOR GOAL 3

- Review of FSA's accounting for FY 2011 and 2012—improper payment reporting (FSA),
- USDA and its agencies' financial statements for 2012 (OCFO),
- FY 2011 NRCS improper payment review (NRCS),
- Executive Order 13520 High Dollar Report for FY 2011 (OCFO),
- FY 2012 retirement, health, and life insurance withholdings and contribution and supplemental headcount report submitted to OPM (OCFO),

- FY 2012 National Finance Center general controls (OCFO),
- FY 2012 National Information Technology Center selected controls (OCFO),
- Review of selected controls of the eAuthentication system (OCIO),
- NRCS' oversight and compliance activities (NRCS),
- Beef Research and Promotion Board activities (AMS),
- FY 2012 FISMA report (OCIO),
- Procurement oversight of the South Building modernization project (DM),
- Pigford 2—distribution of settlement funds for discrimination litigation (USDA),
- Review of selected FNS programs for duplicate, overlapping, or fragmented objectives (FNS),
- Review of USDA's bank purchase and travel card data (USDA),
- Review of the Procurement Operations Division (DM, OCIO),
- Section 632(a) funds provided by the U.S. Agency for International Development to USDA (FAS, APHIS, ARS, NIFA),
- private voluntary organization grant fund accountability (FAS),
- international trade policy and procedures (FAS, FSIS, ARS, APHIS, FS, AMS),
- Migratory Bird Habitat Initiative: NRCS' response to issues caused by the Deepwater Horizon Oil Spill (NRCS),
- Followup on FS' Working Capital Fund audits (FS), and
- FS' firefighting cost-share agreements with non-Federal entities (FS).

ONGOING REVIEWS FOR GOAL 3 UNDER RECOVERY ACT FUNDS

- ARS' contract closeout process (ARS),
- Procurement oversight of the National Center for Agricultural Utilization Research contract (ARS),
- Procurement oversight of the Invasive Plant Research Laboratory contract (ARS),
- Procurement oversight of the Red River Valley Agricultural Research Center contract (ARS),
- Emergency Food Assistance Program (FNS),
- Federalreporting.gov March 2011 data quality review (USDA),
- Data quality review of jobs reported as created or saved by USDA Recovery Act programs (USDA),
- The Rural Utilities Service's (RUS) controls over Water and Waste Disposal Loan and Grant Program (RUS),
- Broadband Initiative Program—pre-approval controls (RUS),
- Broadband Initiative Program—post-approval controls (RUS), and
- Recovery Act single-family housing direct and guaranteed loans—effectiveness review (RUS).

OIG's annual plan for future audit and investigative work under this goal may be found online at <http://www.usda.gov/oig/webdocs/2012ABPFinal.pdf>.

Stewardship Over Natural Resources

OIG Strategic Goal 4: Increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources

OIG's audits and investigations focus on USDA's management and stewardship of natural resources, including soil, water, and recreational settings. Our work in this area is vital because USDA is entrusted with hundreds of billions of dollars in fixed public assets, such as 193 million acres of national forests and grasslands. USDA also provides scientific and technical knowledge for enhancing and protecting the economic productivity and environmental quality of the estimated 1.5 billion acres of forests and associated rangelands in the United States.

In the first half of FY 2012, we devoted 5 percent of our total direct resources to Goal 4, with 100 percent of these resources assigned to critical/high-impact work. A total of 89 percent of our audit recommendations under Goal 4 resulted in management decision within 1 year, while no investigative cases resulted in criminal, civil, or administrative action. OIG issued two audit reports and four Recovery Act *fast reports* under Goal 4 during this reporting period. OIG's investigations under Goal 4 from prior reporting periods yielded no indictments, one conviction, and about \$70,000 in monetary results during this reporting period.

Management Challenges Addressed UNDER GOAL 4

- Strong, Integrated Internal Control Systems Still Needed (also under Goals 2 and 3)
- Forest Service Management and Community Action Needed to Improve Forest Health and Reduce Firefighting Costs
- The American Recovery and Reinvestment Act of 2009 Needs to be Effectively Implemented (also under Goals 2 and 3)

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 4

FS Needs To Clarify How It Handles Changes in the Ownership of Easements in National Forests

Because FS and timber companies often share roads on national forest lands, the Forest Roads and Trails Act (FRTA) gave the agency the authority to formalize agreements with timber companies on the maintenance and use of these shared roads. OIG reviewed how FS was exercising this authority and found that, while agency personnel are properly granting and acquiring easements, they are not prepared to effectively address the issues arising from the sale of private forest land with FRTA easements for residential development and commercial use. While FS cannot stop development on private land or restrict access to FRTA roads, it should assess risks, develop strategies to lessen the impacts of changing land use, and incorporate appropriate changes into the agency's planning rule and strategic plan. Further, to avoid confusion and dispute, FS should attempt to implement a FRTA easement amendment, which would clarify rights and responsibilities before successor landowners come into possession of lands containing these easements, and provide sufficient guidance to local field staff on how to address landowner disputes once the land has been sold. Agency officials agreed with four of the seven recommendations, and we are working to reach management decision on the remaining

three recommendations. (Audit Report 08601-0001-Ch, Forest Service—Evaluation of Forest Service’s Processes to Obtain and Grant Rights-of-Way and Easements)

Land Trust Organization Enters into a Settlement with the Government

In November 2011, a land trust organization entered into a settlement agreement with the U.S. Attorney’s Office, Western District of Wisconsin, agreeing to pay \$50,000 to partly reimburse NRCS for overpayments caused when the organization’s former executive director submitted false statements to the agency. Our investigation disclosed that the false statements caused NRCS to overpay for conservation easements from four Wisconsin landowners participating in the Farm and Ranchlands Protection Program. The organization also agreed to accept a voluntary 36-month exclusion from Federal conservation easement programs and to take remedial measures to further comply with standards developed by a national organization that governs land trusts. Also in November 2011, the organization’s former executive director agreed to repay \$15,000 provided under the program and voluntarily agreed to be permanently excluded from submitting or participating in Federal conservation reserve programs or other USDA programs.

RECOVERY ACT REVIEWS

FS Needs to Ensure that the Alabama Forest Commission Complies with Federal Accounting Requirements for Receiving Recovery Act Funds

FS spent \$214 million in Recovery Act grant funding to implement wildland fire management activities on State, county, and private lands. Our examination of grants given to the State of Alabama’s Forestry Commission found that the commission’s accounting system did not comply with Federal regulations governing grant funds, as it commingled the majority of its costs into one single “pool,” and then allocated the commingled costs to both its FS Recovery Act and non-Recovery Act grants. As a result, during the period we reviewed, \$14.4 million of the commission’s charges to its FS grants were unallowable. For instance, we estimated the commission should have charged its FS Recovery Act-funded grants about \$846,000 for salary costs. However, the commission actually charged Recovery Act-funded grants an estimated \$2.8 million in salary costs.

We recommended that FS recover \$14.4 million in unallowable costs, and postpone further reimbursements and awards to the State agency until it is in compliance with Federal requirements. FS also needs to direct the State agency to immediately stop its noncompliant practices, submit its cost plans for proper approval, and document the processes it uses to account for FS grant funds. FS generally agreed with our recommendations. *Recovery Act Fast Report* (Audit Report 08703-0005-SF (7), Recovery Act—Forest Service Hazardous Fuels Reduction Ecosystem Restoration on Non-Federal Lands)

FS Needs to Ensure That Colorado State University (CSU) Properly Administers Its Federal Recovery Act Grants

Of the 152 wildland fire management projects FS approved on non-Federal lands from its Recovery Act funds, we reviewed a grant awarded to CSU. CSU administered the grant for a sub-recipient—a privately owned sawmill—which was to use the grant funds for meeting the labor costs of its employees and temporary workers. We found that CSU reimbursed the sawmill with grant funds without requesting adequate documentation to show that the sawmill had actually paid the expenses it claimed for reimbursement. This occurred because CSU’s policy for grant management did not have sufficient requirements for documentation to support claimed costs. Thus, CSU did not detect that the sawmill improperly used \$128,610 of Recovery Act funds for unauthorized purposes, such as paying for the sawmill’s non-salary costs, or directing funds to an affiliated mill in another State.

We recommended that FS require CSU to alter its policies to require more documentation and review existing grants to ensure that cost claims were proper. Finally, FS should recover funds from CSU that the sawmill used for unallowable costs that have not yet been repaid. FS generally agreed with our recommendations. Recovery Act *Fast Report* (Audit Report 08703-0005-SF (8), Recovery Act—Forest Service Hazardous Fuels Reduction Ecosystem Restoration on Non-Federal Lands)

FS Needs to Ensure That the Wyoming State Forestry Division Effectively Oversees Its Sub-Grants

Among the grants FS disbursed from the \$214 million in Recovery Act funding for wildland fire management was a sub-grant to the Wyoming State Forestry Division, which in turn sub-granted \$550,000 to a county government. This county government used these funds to approve various contracted projects. In March 2011, OIG reviewed a hotline allegation that one of these contractors should not have received Recovery Act funds due to a history of inadequate performance.

While our review did not substantiate the allegation, we found that the county sub-grant recipient did not appropriately select or approve projects, or ensure that proposed projects’ costs were necessary and reasonable and that expenditures were supported. Specifically, we found that three contractors, who were members of the county committee, controlled the selection process for wildland fire management projects in their favor. The committee approved these projects, despite the fact that the costs involved were excessive or unnecessary. For example, one project proposed helicopter logging at a cost of more than twice that of an alternate estimate. Additionally, nearly 90 percent of the project expenditures (\$450,000) were unsupported.

OIG recommended that FS postpone additional Wyoming State Forestry Division grant reimbursements until Wyoming is able to provide FS with documentation for the potentially unreasonable charges, and provide FS with assurance that it can adequately assess and monitor its sub-grant recipients. If necessary, FS should recover charges that cannot be reasonably justified. The agency generally agreed with OIG’s recommendations. Recovery Act *Fast Report* (Audit Report 08703-0005-SF (9), Recovery Act—Forest Service Hazardous Fuels Reduction Ecosystem Restoration on Non-Federal Lands)

FS Needs to Ensure that Contracts Meet the Transparency Requirements of the Recovery Act

As part of the Recovery Act, FS was awarded \$272 million for road maintenance and decommissioning, bridge maintenance and decommissioning, and related watershed restoration and ecosystem enhancement. Based on our statistical sample of project contracts, we found that FS generally complied with Recovery Act requirements and effectively completed the projects we reviewed, with three exceptions. We determined that 148 of 795 contracts (19 percent) did not fully comply with procurement requirements. Because contracting officers or procurement templates did not always adhere to updated requirements, there was increased risk that contractors who received contracts worth almost \$63 million may not complete them to Recovery Act specifications. We also determined that four employees erroneously charged administrative costs of \$21,458 to Recovery Act job codes while working on unrelated projects. Finally, we found that FS inaccurately reported accomplishments for 11 of the 96 contracts and agreements because personnel made inadvertent errors, such as transcription and data entry errors. As a result, FS did not fully meet the transparency objective of the Recovery Act.

We recommended that the agency remind personnel to publicize and verify information, ensure that contracts are in accord with specifications, emphasize the importance of charging time correctly, and correct any errors in the agency's accomplishment reports. FS generally agreed with OIG's recommendations. (Audit Report 08703-0003-SF, Recovery Act—Forest Service Capital Improvement and Maintenance Projects Roads, Bridges, and Related Watersheds)

FS Needs to Ensure that Nevada Fire Safe Council Complies With Federal Grant Requirements

FS awarded a \$3.6 million Recovery Act grant to the Nevada Fire Safe Council to perform hazardous fuels treatments on non-Federal lands in the Lake Tahoe Basin. After receiving a hotline complaint alleging that the council was not conducting a fair and competitive bidding process, and that some contractors were charging excessive prices, we found that the council did not properly account for the grant funds FS awarded, for both the Recovery Act grant and non-Recovery Act grants—for a total of \$9.8 million. We also found that the council was not segregating key accounting functions as required by Federal regulations, and was routinely requesting reimbursements for expenses not yet paid. Over a 2-year period, the Council deposited \$2.7 million of the FS Recovery Act grant funds it received into a commingled account, which it then used to pay various expenses, such as rent and utilities, even though these costs were not authorized by the FS Recovery Act grant. Finally, we found that the council had not been audited, as required by Federal regulations, since 2006. The council executive director maintained that he was unaware of these requirements, and said the failure to complete the required audits was an oversight.

OIG recommended that FS withhold grant fund reimbursements until the council can prove its compliance with Federal requirements, and conduct reviews on other remaining grant funds. FS should also ensure that the council is audited before awarding any additional grants. FS generally agreed with these recommendations. Recovery Act *Fast Report* (Audit Report 08703-

0005-SF (10), Recovery Act—Forest Service Hazardous Fuels Reduction and Ecosystem Restoration on Non-Federal Lands)

GOVERNMENTWIDE ACTIVITIES—GOAL 4

Participation on Committees, Working Groups, and Task Forces

- *Environmental Crimes Working Groups.* OIG agents continue to participate in working groups in the District of New Hampshire, the Eastern District of North Carolina, and the Western District of Washington, which were convened by U.S. Attorney's Offices, to improve cooperation and coordination among local, State, and Federal law enforcement agencies enforcing environmental laws, as well as to exchange information and provide prosecutorial support and training opportunities. An OIG agent also continues to participate in an environmental and natural resources law enforcement working group in Arizona, which has similar goals of improving training and coordination for investigators working on natural resources cases.
- *Minnesota Pest Risk Committee.* OIG participates in this committee, which is composed of Federal, State, and local representatives who focus on the efforts used in Minnesota to intercept and control invasive plants, insects, and animals that are detrimental to the State.

ONGOING REVIEWS FOR GOAL 4

- Management of oil and gas resources on National Forest System land (FS).

ONGOING REVIEWS FOR GOAL 4 UNDER RECOVERY ACT FUNDS

- Wood-to-energy projects (FS),
- Hazardous fuels reduction and ecosystem restoration on Federal and non-Federal lands (FS),
- Facility improvement, maintenance, and rehabilitation (FS),
- Trail maintenance and decommissioning (FS),
- Abandoned mine remediation (FS), and
- Performance measures for Recovery Act projects (FS).

OIG's annual plan for future audit and investigative work under this goal may be found online at <http://www.usda.gov/oig/webdocs/2012ABPFinal.pdf>.

PERFORMANCE RESULTS TOTALS UNDER OUR STRATEGIC GOALS

Performance Measures	FY 2011 Actual	FY 2012 Target	FY 2012 1st Half Actual
OIG direct resources dedicated to critical-risk and high-impact activities.	97.2%	90%	98.1%
Audit recommendations where management decisions are achieved within 1 year.	90.1%	92%	94.7%
Mandatory and Congressional, Secretarial, and agency-requested audits completed within required or agreed-to timeframes	100%	90%	92.9%
Closed investigations that resulted in a referral for action to the U.S. Department of Justice, State, or local law enforcement officials, or relevant administrative authority.	82.5%	70%	85.1%
Closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.	70.4%	65%	68.3%

RECOVERY ACT PERFORMANCE RESULTS TOTALS UNDER OUR STRATEGIC GOALS

Performance Measures	FY 2011 Actual	FY 2012 Target	FY 2012 1st Half Actual
Notify USDA agency managers of significant audit findings related to Recovery Act programs along with recommendations for corrective action within 30 days after identification.	86.7%	85%	100%
Respond to Recovery Accountability and Transparency Board-sponsored requests and projects within established schedules or agreed-to timeframes.	100%	85%	100%
An investigative determination to accept or decline an allegation of whistleblower retaliation is made within 180 days of receipt.	100%	100%	100%
Whistleblower retaliation allegations are investigated and reported within 180 days of receipt.	N/A	75%	N/A
Timely and accurate monthly Recovery Act funds reports submitted to the Recovery Board.	100%	95%	100%

SUMMARY OF AUDIT ACTIVITIES—OCTOBER 2011-MARCH 2012

Final Reports Issued: 35	Audits Performed by OIG	29
	Audits Performed Under the Single Audit Act	0
	Audits Performed by Others	6
Management Decisions Made	Number of Reports	34
	Number of Recommendations	208
Total Dollar Impact (Millions) of Management-Decided Reports: \$1,169.9 million	Total Questioned/Unsupported Costs	\$1,169.1 ^{a, b}
	-Recommended for Recovery	\$14.0
	-Not Recommended for Recovery	\$1,155.1
	Funds To Be Put to Better Use	\$0.8
^a These were the amounts the auditees agreed to at the time of management decision. ^b The recoveries realized could change as auditees implement the agreed-upon corrective action plan and seek recovery of amounts recorded as debts due the Department.		

SUMMARY OF *FAST REPORTS* ISSUED—OCTOBER 2011-MARCH 2012

Ongoing OIG Assignments Containing <i>Fast Reports</i> Issued to the Agency: 2^a	<i>Fast Reports</i> Issued	5
	Number of Recommendations Made	28
Total Dollar Findings (Millions) of <i>Fast Reports</i> Issued: \$17.6^b	Total Questioned/Unsupported Costs	\$17.6
	-Recommended for Recovery	\$17.6
	-Not Recommended for Recovery	\$0
	Funds to Be Put to Better Use	\$0
^a <i>Fast reports</i> are quick turnaround reports intended to alert management to immediate issues during the course of an ongoing audit assignment. ^b Monetary findings identified in <i>fast reports</i> are included in the Inventory of Questioned Costs and Loans for released products. (Final report could occur in future SARC reporting periods).		

SUMMARY OF INVESTIGATIVE ACTIVITIES—OCTOBER 2011-MARCH 2012

Reports Issued: 142	Cases Opened	234
	Cases Referred for Prosecution	81
Impact of Investigations	Indictments	334
	Convictions ^a	218
	Searches	105
	Arrests	261
Total Dollar Impact (Millions): \$48.8	Recoveries/Collections ^b	\$9.5
	Restitutions ^c	\$31.2
	Fines ^d	\$0.3
	Asset Forfeitures ^e	\$4.9
	Claims Established ^f	\$1.0
	Cost Avoidance ^g	\$1.8
Administrative Sanctions: 147	Administrative Penalties ^h	\$0.1
	Employees	13
	Businesses/Persons	134
<p>^a Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 218 convictions do not necessarily relate to the 334 indictments.</p> <p>^b Includes money received by USDA or other Government agencies as a result of OIG investigations.</p> <p>^c Restitutions are court-ordered repayments of money lost through a crime or program abuse.</p> <p>^d Fines are court-ordered penalties.</p> <p>^e Asset forfeitures are judicial or administrative results.</p> <p>^f Claims established are agency demands for repayment of USDA benefits.</p> <p>^g Consists of loans or benefits not granted as the result of an OIG investigation.</p> <p>^h Includes monetary fines or penalties authorized by law and imposed through an administrative process as a result of OIG findings.</p>		

**INVENTORY OF AUDIT REPORTS WITH QUESTIONED COSTS AND LOANS
FROM OCTOBER 1, 2011 THROUGH MARCH 31, 2012**

CATEGORY	NUMBER	QUESTIONED COSTS AND LOANS		UNSUPPORTED ^a COSTS AND LOANS
Reports for which no management decision had been made by October 1, 2011. ^b	10	\$289,676,181		\$1,039,135
Reports which were issued during the reporting period. ^c	15	\$1,176,633,464		\$2,700,000
Total reports with questioned costs and loans	25	\$1,466,309,645		\$3,739,135
Of the 25 reports, those for which management decision was made during the reporting period.	15	<i>Recommended for recovery</i>	\$14,003,413	\$0
		<i>Not recommended for recovery</i>	\$1,155,087,328	\$0
		<i>Costs not disallowed</i>	\$421	\$0
Of the 25 reports, those for which no management decision has been made by the end of this reporting period. ^c	10	\$297,496,671		\$3,739,135
Total current reports for which no management decision was made within 6 months of issuance.^b	5	\$279,766,957		\$1,039,135
^a Unsupported values are included in questioned values ^b Carried over from previous reporting periods ^c Includes four issued <i>fast reports</i> with monetary values totaling \$17,619,879. Management decision for these values will be reported at final report issuance. (Final reports could occur in future SARC reporting periods).				

**INVENTORY OF AUDIT REPORTS WITH RECOMMENDATIONS THAT FUNDS BE
PUT TO BETTER USE FROM OCTOBER 1, 2011 THROUGH MARCH 31, 2012**

CATEGORY	NUMBER	DOLLAR VALUE	
Reports for which no management decision had been made by October 1, 2011. ^a	2	\$766,727	
Reports which were issued during the reporting period.	1	\$12,135	
Total reports with recommendations that funds be put to better use	3	\$778,862	
Of the three reports, those for which management decision was made during the reporting period.	3	<i>Disallowed costs</i>	\$778,862
		<i>Costs not disallowed</i>	\$0
Of the three reports, those for which no management decision has been made by the end of this reporting period.	0	\$0	
Total current reports for which no management decision was made within 6 months of issuance.	0	\$0	
^a Carried over from previous reporting periods.			

Program Improvement Recommendations

A significant number of our audit recommendations carry no monetary value per se, but their impact can be immeasurable in terms of safety, security, and public health. They can also contribute considerably toward economy, efficiency, and effectiveness in USDA's programs and operations. During this reporting period, we issued 124 program improvement recommendations, and management agreed to implement a total of 178 that were issued this period or earlier. Examples of those issued this period include the following (see the main text of this report for a summary of the audits that prompted these recommendations):

- USDA officials agreed to seek adequate funding for NASS to conduct a comprehensive survey of honey bee colony production and health so that the Department can determine the true extent of colony collapse disorder in the United States and its effect on the agricultural sector.
- AMS agreed to improve how it oversees certifying agents for the National Organic Program for milk so that the agency can promote greater confidence that milk labeled as "USDA Organic" meets the standards consumers expect.
- FS agreed to develop strategies to lessen the environmental and economic impact of the changing use of forest roads that were built for timber companies but are being converted to residential use.

Audit and Investigation Peer Reviews

- During the current semiannual reporting period, there were no audit peer reviews of OIG's audit organization. However, during the current reporting period, OIG received notification from the Environmental Protection Agency's (EPA) OIG that it planned to initiate in the near future an external peer review of USDA OIG's audit organization. Since that notification, we have been working with EPA OIG to pave the way for the external peer review. EPA OIG's entrance conference with USDA OIG was scheduled for April 5, 2012.
- During the current semiannual reporting period, there were no peer reviews of OIG's investigation organization. Our most recent review was conducted in 2010 by the Department of Homeland Security OIG. The report, issued November 10, 2010, contained no recommendations, and determined that OIG is in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency and the Attorney General. Peer reviews are generally conducted on a 3-year cycle.

Audit Reports

From October 1, 2011, through March 31, 2012, OIG issued 35 audit reports, including 6 performed by others. During this same period, 5 *fast reports* were issued. The following is a summary of those audit products by agency:

AUDIT AND *FAST REPORT* TOTALS

Total funds that can be put to better use	\$12,135
Total questioned costs and loans ^{a,b}	\$1,176,633,464
^a Unsupported values are included in the questioned values. ^b Includes <i>fast report</i> monetary values of \$17,619,879. (Final reports could occur in future SARC reporting periods).	

SUMMARY OF AUDIT AND *FAST REPORTS* RELEASED FROM OCTOBER 1, 2011 THROUGH MARCH 31, 2012

AGENCY TYPE	AUDITS RELEASED	QUESTIONED COSTS AND LOANS ^{a, c}	UNSUPPORTED COSTS AND LOANS	FUNDS TO BE PUT TO BETTER USE
SINGLE AGENCY AUDIT	34	\$1,176,633,464	\$2,700,000	\$12,135
MULTIAGENCY AUDIT	6			
TOTALS	40	\$1,176,633,464	\$2,700,000	\$12,135
TOTAL COMPLETED UNDER CONTRACT ^b	6			
ISSUED AUDITS COMPLETED UNDER THE SINGLE AUDIT ACT	0			
^a Unsupported values <i>are included</i> in the questioned values. ^b Includes audits performed under contract by others such as an independent certified public accounting firm. ^c Includes <i>fast report</i> monetary values of \$17,619,879 for 5 <i>fast reports</i> issued during this period. Final report could occur in future SARC reporting periods.				

**AUDIT AND *FAST REPORTS* RELEASED AND ASSOCIATED MONETARY VALUES
FROM OCTOBER 1, 2011 THROUGH MARCH 31, 2012**

AUDIT TOTALS BY AGENCY	AUDIT NUMBER	RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS ^a	FUNDS TO BE PUT TO BETTER USE
Agricultural Marketing Service: 2	01099-0032-HY	03/12/12	Oversight of Federally Authorized Research and Promotion Board Activities			
	01601-0001-32	02/27/12	National Organic Program – Organic Milk			
Agricultural Research Service: 2	02703-0008-HQ	12/21/11	Procurement Oversight Audit of National Center for Agricultural Utilization Research Contract			
	02703-0009-HQ	12/21/11	Recovery Act: General Procurement Oversight Audit of ARS Contract Awarded to Abide International, Inc.			
Commodity Credit Corporation: 1	06401-0001-11	11/10/11	Commodity Credit Corporation Financial Statements for Fiscal Year 2011 and 2010			
Farm Service Agency: 1	03703-0002-CH	01/20/12	Controls Over Aquaculture Grant Recovery Act Funds (Phase 2)	\$229,533		\$12,135
Food and Nutrition Service: 13	27002-0001-13	11/23/11	Analysis of Kansas' Supplemental Nutrition Assistance Program (SNAP) Eligibility Data	\$109,845		
	27002-0001-DA	11/22/11	Analysis of SNAP Anti-fraud Locator Using Electronic Benefits Transfer Retailer Transactions (ALERT) Database			
	27002-0002-13	11/29/11	Analysis of Florida's SNAP Eligibility Data	\$380,225		
	27002-0003-13	01/31/12	Analysis of Louisiana's SNAP Eligibility Data	\$303,273		
	27002-0004-13	01/31/12	Analysis of Alabama's SNAP Eligibility Data	\$207,989		
	27002-0005-13	01/31/12	Analysis of Mississippi's SNAP Eligibility Data	\$123,643		
	27002-0006-13	03/31/12	Analysis of Texas'	\$523,551		

AUDIT TOTALS BY AGENCY	AUDIT NUMBER	RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS ^a	FUNDS TO BE PUT TO BETTER USE
			SNAP Eligibility Data			
	27002-0007-13	03/21/12	Analysis of Missouri's SNAP Eligibility Data	\$229,083		
	27009-0001-DA	01/31/12	Identifying Areas of Risk in the Child and Adult Care Food Program (CACFP) Using Automated Data Analysis Tools			
	27401-0001-21	11/14/12	Food and Nutrition Service Financial Statements for Fiscal Year 2011 and 2010			
	27601-0012-SF	11/18/11	Review of Management Controls for CACFP	\$2,486,633		
	27703-0001-HQ	02/15/12	Recovery Act—FNS, National School Lunch Program Equipment Grants			
	27703-0002-HY	01/27/12	State Fraud Detection Efforts for SNAP			
Forest Service: 8	08401-0001-11	11/10/11	Forest Service Financial Statements for Fiscal Year 2011 and 2010			
	08501-0001-TE	02/13/12	Forest Service—Acquisition of Information Technology Software/Hardware	\$1,138,000,000		
	08601-0001-CH	03/15/12	Evaluation of Processes to Obtain and Grant Rights-of-way and Easements			
	08703-0003-SF	03/12/12	Recovery Act Forest Service Capital Improvement and Maintenance Projects – Roads, Bridges, and Related Watersheds			
	08703-0005-SF(7)	11/23/11	Fast Report: Hazardous Fuels Reduction—State Agency Charged Recovery Act Grants and Non-Recovery Act Grants \$14.4 Million in Unallowable Costs	\$14,400,000		
	08703-0005-SF(8)	10/21/11	Fast Report: Hazardous Fuels Reduction—Grant Recipient Used	\$69,879		

AUDIT TOTALS BY AGENCY	AUDIT NUMBER	RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS ^a	FUNDS TO BE PUT TO BETTER USE
			Recovery Act Funds for Unauthorized Purposes			
	08703-0005-SF(9)	11/01/11	Fast Report: Hazardous Fuels Reduction— Recovery Act Grant Recipient Did Not Have Controls in Place to Properly Administer Sub-awarded Funds	\$450,000		
	08703-0005-SF(10)	01/04/12	Fast Report: Hazardous Fuels Reduction –Grant Recipient Had Inadequate Controls to Account for Its Recovery Act Grants	\$2,700,000	\$2,700,000	
Management Services: 1	92501-0001-12(1)	11/16/11	Fast Report: Procurement Operations, Fourth Data Center in Support of the USDA eMail Consolidation			
Multiagency: 6	50024-0001-11	03/14/12	Department of Agriculture (USDA) Compliance With Improper Payments Elimination and Recovery Act of 2010			
	50099-0084-HY	01/20/12	USDA’s Response to Colony Collapse Disorder			
	50401-0001-11	11/15/11	USDA’s Consolidated Financial Statements for Fiscal Years 2011 and 2010			
	50401-0002-11	11/15/11	Fiscal Year 2011 Audit of USDA’s Closing Package			
	50501-0002-12	11/15/11	Fiscal Year 2011 Federal Information Security Management Act Report			
	50703-0001-31	03/12/12	Recovery Act Supplemental Revenue Assistance Payments Program			
Natural Resources Conservation Service: 2	10401-0001-11	11/08/11	Natural Resources Conservation Service Financial Statements for Fiscal Year 2011			

AUDIT TOTALS BY AGENCY	AUDIT NUMBER	RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS ^a	FUNDS TO BE PUT TO BETTER USE
	10703-0003-KC	03/14/12	Recovery Act, Emergency Watershed Protection Program Floodplain Easements, Easement Applications on Non-Agricultural Land Grants			
Office of the Chief Information Officer: 1	88501-0001-IT	03/20/12	International Technology Services Selected Controls Audit			
Risk Management Agency: 1	05401-0001-11	11/08/11	Federal Crop Insurance Corporation Financial Statements for Fiscal Year 2011 and 2010			
Rural Business-Cooperative Service: 1	34703-0002-TE	02/12/12	Recovery Act— Business and Industry Guaranteed Loan Program, Phase 2	\$16,419,810		
Rural Development: 1	85401-0001-11	11/10/11	Rural Development Financial Statements for Fiscal Years 2011 and 2010			
Grand Total				\$1,176,633,464	\$2,700,000	\$12,135
^a Unsupported values are included in questioned values. NOTE: Fast report monetary values (\$17,619,879) are included in the inventory of audit reports.						

AUDITS WITHOUT MANAGEMENT DECISION

In total, OIG has 8 audits without management decision. Their details are provided in the tables below:

NEW FOR THIS REPORTING PERIOD

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt Decision (in dollars)
RMA	09/07/11	Citrus Crop Indemnity Payments from Hurricane Wilma in Florida (05099-0029-At)	\$44,059,385	\$44,059,385
Total New For This Reporting Period: 1				

The audits in the following table are still pending agency action or are under judicial, legal, or investigative proceedings. Details on the recommendations where management decisions had not been reached have been reported in previous SARCs. Agencies have been informed of actions that must be taken to reach management decision but, for various reasons, the actions have not been completed. The appropriate Under and Assistant Secretaries have been notified of those audits without management decisions.

AUDIT REPORTS PREVIOUSLY REPORTED BUT NOT YET RESOLVED

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt Decision (in dollars)
FSA	02/02/09	Hurricane Relief Initiatives: Livestock and Feed Indemnity Programs (03601-0023-KC)	\$1,866,412	\$427,276
Multi-agency	09/30/03	Implementation of the Agricultural Risk Protection Act (50099-0012-KC)	0	0
	08/16/10	Effectiveness and Enforcement of Debarment and Suspension Regulations in USDA (50601-0014-At)	0	0
	03/23/11	USDA Payments for 2005 Citrus Canker Tree Losses (50099-0046-At)	\$633,717	\$633,717
RMA	09/30/08	Crop Loss and Quality Adjustments for Aflatoxin Infected Corn (05601-0015-Te)	\$15,951,016	\$15,951,016
	03/04/09	RMA's 2005 Emergency Hurricane Relief Efforts in Florida (05099-0028-At)	\$217,256,417	\$217,256,417
	09/16/09	RMA Compliance Activities (05601-0011-At)	0	0
Total Previously Reported But Not Yet Resolved: 7				

AUDITS WITHOUT MANAGEMENT DECISION—NARRATIVE FOR NEW ENTRIES

Citrus Crop Indemnity Payments from Hurricane Wilma in Florida (05099-0029-At), Issued September 7, 2011

When Hurricane Wilma struck Florida on October 24, 2005, it damaged citrus crops that many producers had insured with insurance policies reinsured by RMA. Though these policies were sold and serviced by private insurance companies known as approved insurance providers (AIP), RMA reinsures losses the AIPs suffer. Overall, RMA reinsured the AIPs and Florida citrus producers with \$384.9 million in liability for crop year (CY) 2006. Hurricane Wilma resulted in 2,420 citrus fruit crop insurance claims and \$60.8 million in indemnity payments. The majority of these indemnities, 87 percent (\$53 million), were processed by two AIPs.

Based on our review of 144 claims processed to pay \$37 million in indemnities, we found that these two AIPs circumvented established procedures for adjusting citrus losses. They failed to follow either RMA's general loss procedures for adjusting citrus losses or the emergency loss procedures RMA issued to expedite Hurricane Wilma-related payments. Instead, they used procedures or allowed options that were not approved by RMA. We discussed with the AIPs their reasons for deviating from RMA's approved procedures, but they maintained that they followed procedures.

We concluded that these two AIPs needed to review all Florida citrus indemnities for which the AIPs requested average yields from RMA, and recalculate and correct those indemnities. However, since the AIPs did not perform the required appraisals of the damage that occurred due to Hurricane Wilma, the AIPs may not be able to recalculate the correct indemnities. If the AIPs cannot recalculate the correct indemnities payable to citrus producers using RMA-approved procedures, then RMA needs to follow the Standard Reinsurance Agreement and deny reinsurance for indemnities, totaling up to \$44.1 million. RMA agreed with our position, but work is ongoing to reach management decision on the recommendation.

Indictments and Convictions

From October 1, 2011 through March 31, 2012, OIG completed 142 investigations. We referred 81 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 334 indictments and 218 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 218 convictions do not necessarily relate to the 334 indictments. Fines, recoveries/collections, restitutions, claims established, cost avoidance, and administrative penalties resulting from our investigations totaled about \$48.8 million. The following is a breakdown, by agency, of indictments and convictions for the reporting period.

INDICTMENTS AND CONVICTIONS—October 1, 2011-March 31, 2012

Agency	Indictments	Convictions*
AMS	2	2
APHIS	42	45
ARS	1	0
FAS	3	1
FNS	239	130
FS	3	6
FSA	11	16
FSIS	4	5
GIPSA	6	0
RBS	2	0
RHS	15	6
RMA	6	7
Totals	334	218
* This category includes pretrial diversions.		

OFFICE OF INSPECTOR GENERAL HOTLINE

The OIG hotline serves as a national intake point for reports from both employees and the general public of suspected incidents of fraud, waste, mismanagement, and abuse in USDA programs and operations. During this reporting period, the hotline received 1,606 complaints, which included allegations of participant fraud, employee misconduct, and mismanagement, as well as opinions about USDA programs. The following tables are a summary of the Hotline complaints for the first half of FY 2012.

NUMBER OF COMPLAINTS RECEIVED

Type	Number
Employee Misconduct	141
Participant Fraud	1,069
Waste/Management	255
Health/Safety Problem	26
Opinion/Information	112
Bribery	1
Reprisal	2
Total Number of Complaints Received	1,606

DISPOSITION OF COMPLAINTS RECEIVED

Method of Disposition	Number
Referred to OIG Audit or Investigations for Review	120
Referred to Other Law Enforcement Agencies	6
Referred to USDA Agencies for Response	512
Referred to FNS for Tracking	662
Referred to USDA or Other Agencies for Information—No Response Needed	250
Filed Without Referral—Insufficient Information	51
Referred to State Agencies	5

Table 15: FREEDOM OF INFORMATION ACT (FOIA) AND PRIVACY ACT (PA) REQUESTS FOR THE PERIOD OCTOBER 1, 2011 THROUGH MARCH 31, 2012

Categories	Type	Number
FOIA/PA Requests Received/Processed	FOIA/PA Requests Received	59
	Granted	2
	Partially Granted	16
	Not Granted	38
	Total FOIA/PA Requests Processed	56
Reasons for Denial	No Records Available	13
	Referred to Other Agencies	4
	Requests Denied in Full Exemption 5	2
	Requests Denied in Full Exemption 7(A)	7
	Requests Denied in Full Exemption 7(C)	1
	Request Withdrawn	3
	Fee-Related	1
	Not a Proper FOIA Request	0
	Not an Agency Record	0
	Duplicate Request	0
	Other	7
Requests for OIG Reports from Congress and Other Government Agencies	Received	1
	Processed	1
Appeals	Appeals Received	5
	Appeals Processed	5
	Completely Upheld	1
	Partially Reversed	1
	Completely Reversed	1
	Requests Withdrawn	1
Other	1	
	OIG Reports/Documents Released in Response to Requests	8
NOTE 1: A request may involve more than one report.		
NOTE 2: During this 6-month period, 48 audit reports were posted online on the OIG website: http://www.usda.gov/oig		

Abbreviations

Abbreviation	Full Name
ALERT	Anti-Fraud Locator EBT Retailer Transactions
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
B&I	Business and Industry
CACFP	Child and Adult Care Food Program
CCC	Commodity Credit Corporation
CEO	Chief Executive Officer
CSU	Colorado State University
EBT	electronic benefits transfer
EPA	Environmental Protection Agency
FAS	Foreign Agricultural Service
FBI	Federal Bureau of Investigation
FCIC	Federal Crop Insurance Corporation
FFMIA	Federal Financial Management Improvement Act of 1996
FISMA	Federal Information Security Management Act
FNS	Food and Nutrition Service
FOIA	Freedom of Information Act
FRTA	Forest Roads and Trails Act
FS	Forest Service
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
FY	fiscal year
IPERA	Improper Payments Elimination and Recovery Act
IRS	Internal Revenue Service
IRS-CI	Internal Revenue Service-Criminal Investigation
IT	information technology
ITS	International Technology Services
NASS	National Agricultural Statistics Service
NIFA	National Institute of Food and Agriculture
NRCS	Natural Resources Conservation Service
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OPM	Office of Personnel Management
PA	Privacy Act
RBS	Rural Business-Cooperative Service
Recovery Act	American Recovery and Reinvestment Act of 2009
Recovery Board	Recovery Accountability and Transparency Board
RD	Rural Development
RHS	Rural Housing Service

RMA	Risk Management Agency
RUS	Rural Utilities Service
SARC	Semiannual Report to Congress
SNAP	Supplemental Nutrition Assistance Program
USDA	U.S. Department of Agriculture
WIC	Special Supplemental Nutrition Program for Women, Infants, and Children

EXAMPLES OF PROGRAM IMPROVEMENT RECOMMENDATIONS MANAGEMENT AGREED TO DURING THIS REPORTING PERIOD (178 TOTAL)

- USDA officials agreed to seek adequate funding for NASS to conduct a comprehensive survey of honey bee colony production and health so that the Department can determine the true extent of colony collapse disorder in the United States and its effect on the agricultural sector.
- AMS agreed to improve how it oversees certifying agents for the National Organic Program for milk so that the agency can promote greater confidence that milk labeled as “USDA Organic” meets the standards consumers expect.
- FS agreed to develop strategies to lessen the environmental and economic impact of the changing use of forest roads that were built for timber companies but are being converted to residential use.

OIG MISSION

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

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

- Strengthen USDA’s ability to implement safety and security measures to protect the public health as well as agricultural and Departmental resources.
- Reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to program participants.
- Support USDA in implementing its management improvement initiatives.
- Increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources.

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