

**Statement by
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Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations, U.S. House of Representatives**

Introduction

Good afternoon, Chairman Bishop, Ranking Member Fortenberry, and Members of the Subcommittee. Thank you for the opportunity to testify regarding the Office of Inspector General's (OIG) budget for fiscal year (FY) 2020. My statement will highlight OIG's recent audit and investigative work that demonstrates our commitment to promoting the economy, efficiency, effectiveness, and integrity of the Department of Agriculture's (USDA) programs and operations.

OIG conducts audits and investigations to detect and prevent fraud and abuse in USDA's programs and operations. We also make recommendations to improve how USDA's programs operate. During FY 2018, our audit and investigative work resulted in potential monetary results totaling more than \$368 million.

OIG conducts audits to determine if programs functioned as anticipated, if program payments reached intended recipients, and if programs achieved their intended purposes. For FY 2018, we issued 42 final audit reports and made 203 recommendations to strengthen and improve USDA programs and operations. Overall, our audit work during this period has produced more than \$42 million in potential efficiencies. OIG also planned and completed investigations of individuals and entities suspected of USDA program abuse, as well as other criminal activities such as significant thefts of Government property or funds, bribery, extortion, smuggling, and assaults on employees. In some of these investigations, we partnered with Federal, State, and local law enforcement agencies to achieve maximum results in identifying and prosecuting illegal activity. Our investigations have resulted in fines and imprisonment for those convicted of wrongdoing, disqualification from USDA-administered and other Federal programs, and administrative action against USDA employees engaged in misconduct.

During this period, OIG’s investigations led to 541 convictions, with potential results totaling more than \$326 million.

OIG also utilizes advanced data analytics to support and enhance our audits and investigations. During FY 2018, our Office of Data Sciences (ODS) has participated in a total of 52 audits and investigations.

Strategic Goal 1—Safety, Security, and Public Health

OIG’s first priority is to help strengthen USDA’s ability to protect safety, security, and public health. Our work reflects these endeavors and focuses on issues such as employee safety, national security, cybersecurity, and food safety inspection activities.

Safety

We regard the safety of USDA employees as one of our most important responsibilities. In response to a request from Members of Congress, OIG provided oversight for the Forest Service’s (FS) Pacific Southwest Region as it addressed concerns about sexual harassment or retaliation against employees who alleged mistreatment. In February 2019, we issued our final report, which evaluated whether the actions FS took in response to complaints of sexual misconduct and sexual harassment were:

(1) effectively implemented as outlined in the joint agreement with USDA and (2) sufficiently addressed workplace concerns. We reviewed 11 cases of substantiated allegations of sexual harassment and sexual misconduct from FYs 2013–2017 and found at least 2 cases in which former supervisors did not inform FS hiring officials about employees’ prior histories of misconduct. These employees were later selected for supervisory positions in other regions. We also reviewed intake forms for 125 complaints of sexual harassment or sexual misconduct for FYs 2014–2017, and found that 18 of these cases were not reported by FS managers or supervisors within the required 24-hour timeframe. In addition, we found that in 13 of these 18 cases, FS took no action against the management officials who failed to timely report these allegations. Lastly, we found that, for 4 of the 11 cases we reviewed where the allegations of sexual harassment and sexual misconduct were substantiated, the decided action was less than the corresponding penalty listed in the *USDA Guide for Disciplinary Penalties*.¹ Though deviating from recommended penalties is allowed, in three of the cases FS officials did not adequately document their

¹ USDA, *Department Personnel Manual*, Chapter 751, Appendix A, “USDA Guide for Disciplinary Penalties” (June 29, 1994).

justification for deviating from the penalty outlined in the Guide. We recommended that FS improve its training and guidance for handling these types of allegations and any subsequent disciplinary action. FS officials generally agreed with our recommendations.

Security

OIG has recently evaluated USDA's prevention, detection, and response concerning agroterrorism. Specifically, we reviewed steps that three USDA agencies—the Animal and Plant Health Inspection Service (APHIS), the Agricultural Research Service (ARS), and the Food Safety and Inspection Service (FSIS)—took to prepare for threats to national security that could result in human illness and death, destruction of crops and livestock, or economic loss to farmers and ranchers. We found that, while these agencies developed plans and initiated actions to prevent, detect, and respond to agroterrorism threats or attacks, they did not have information readily available to respond to the USDA Office of Homeland Security's (OHS) requests for information. OIG identified improvements these three USDA agencies can make to further their emergency preparedness, including tracking and implementing corrective actions from emergency response exercises or actual incidents. All three agencies generally agreed with our recommendations and OHS stated that our recommendations should bolster its efforts to oversee USDA's agroterrorism preparedness.

OIG has also evaluated USDA's 2018 compliance with the Federal Information Security Modernization Act of 2014 (FISMA).² As required by law, we reviewed USDA's ongoing efforts to improve its information technology (IT) security program and practices. We found that while USDA continues to take positive steps to improve its IT security posture, many longstanding weaknesses remain. In FYs 2009–2017, we made 67 recommendations for improving the overall security of USDA's systems—47 recommendations were completed and 20 open recommendations are overdue, which is an improvement over 27 open recommendations in FY 2017. Our testing showed that weaknesses still exist in six of the closed recommendations, and we have issued eight new recommendations based on security weaknesses identified in FY 2018. Due to these existing security weaknesses, we continue to report a material weakness in USDA's IT security that should be included in the Department's Federal

² Federal Information Security Modernization Act of 2014, Pub. L. No. 113-283, 128 Stat. 3073.

Financial Integrity Act (FMFIA) report. The Department generally agreed with our findings and stated it has developed corrective actions and project plans to address prior year recommendations.

Public Health

Oversight of USDA's food safety programs is a top priority for OIG. We recently completed an extensive criminal investigation after the massive recall of more than 1 million pounds of meat and poultry. The case revealed that the California facility in question had been processing millions of pounds of meat that bypassed required safety inspections for years. In addition, the facility mislabeled products at a second location, which enabled uninspected products to be sold to the public as if they had passed inspection. The corporation and its owners and operators were sentenced to a total of 60 months of probation, required to abide by a compliance program plan, and ordered to pay a \$1 million fine and a \$400 special assessment fee for illegally processing meat and poultry products.

Future Work

ODS will be leading a cross-unit OIG team to respond to a Congressional request regarding how to measure FS' progress to address workplace concerns regarding sexual harassment and sexual misconduct. We are assessing the state of oversight work and plan to review related findings and recommendations to help identify standards, guidance, or best practices that agencies can use to measure progress in this area.

We are also conducting a review to determine if USDA has adequate controls in place to protect IT resources, such as Government-issued computers, mobile devices, and the USDA network, from inappropriate use.

Goal 2—Integrity of Benefits

Our second strategic goal is to help reduce USDA program vulnerabilities and strengthen program integrity in the delivery of USDA benefits that support nutrition, rural development, and agricultural production.

Before I discuss our most recent audit and investigative results under this strategic goal, I would like to thank this Subcommittee for the funding provided to OIG as part of the Disaster Supplemental Bill.³ This funding has helped us plan and initiate oversight activities related to USDA disaster relief efforts. In FY 2018, OIG initiated a review of the Food and Nutrition Service's (FNS) disaster relief efforts to provide nutrition assistance to Puerto Rico and address conditions arising from Hurricanes Irma and Maria. We are also currently evaluating controls over two disaster relief programs at the Farm Service Agency (FSA): the 2017 Wildfires and Hurricanes Indemnity Program and the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program. ODS is actively involved in these reviews through the development of interactive disaster fund distribution maps using geographic information system technology.

Food and Nutrition Assistance Programs

As an example of our recent work to promote the integrity of nutrition benefits, OIG performed multiple reviews of FNS' controls over its Summer Food Service Program (SFSP) that have, to date, resulted in four interim reports and three final reports. Due to the scope of this project, we approached this work in multiple phases, beginning with a nationwide review, followed by four State-based reviews, and then a consolidation of the States' findings. Phase 1 of our review focused on management improvement, whereas Phase 2 focused on the integrity of benefits in four States—California, Florida, New York, and Texas. As a result of our work in Phase 1, we generally found that FNS' monitoring and oversight procedures do not sufficiently substantiate that States are properly administering SFSP and complying with program requirements. Specifically, management evaluation reviews—FNS' primary tool for ensuring SFSP integrity—lacked the necessary documentation to confirm whether these reviews were completed correctly and contained valid conclusions. Secondly, we found that FNS had not adequately assessed SFSP's risk for improper payments because it based the program's risk assessments on information that was "readily available" versus what would have come from a comprehensive program review. Thirdly, we found that FNS waived SFSP regulatory requirements on a nationwide basis through policy memoranda without following documentation requirements set by law. As an example of our work in Phase 2, we found that a State agency did not adequately assess sponsor eligibility nor monitor sponsor compliance with program requirements. Also, we found that sponsors generally did not

³ Further Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2018, Pub. L. No. 115-123, div. B, subdiv. 1, tit. I.

ensure their sites complied with regulatory requirements and that sites across California and New York improperly counted a total of 166 meals for reimbursement on the day of our site visits. FNS generally concurred with our recommendations from these separate audits. However, our work continues—OIG is completing the last of the State-based reports as well as our “final phase” report, which consolidates our State findings.

OIG devotes a considerable amount of investigative resources to identifying and prosecuting fraud in nutrition assistance programs. For example, OIG recently partnered with the Federal Bureau of Investigation (FBI) to investigate a Detroit store owner with a previous conviction for food stamp trafficking in Florida. Throughout the investigation, the individual purchased Supplemental Nutrition Assistance Program (SNAP) and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) benefits in exchange for cash, cigarettes, and other ineligible items, ultimately committing \$2 million in WIC fraud alone. The retailer was sentenced to 41 months in prison, followed by 36 months of supervised release, and ordered to pay a \$100 fine and approximately \$2.3 million in restitution.

ODS actively supports investigations of retailers who allegedly traffic SNAP benefits. Future work includes the development of predictive risk model prototypes for these types of cases.

Farm and Loan Programs

As part of our effort to ensure the integrity of USDA’s farm programs, we reviewed the National Resources Conservation Service’s (NRCS) controls over its Conservation Innovation Grants Program. NRCS administers this program by awarding grants to State and local governments or nongovernmental organizations, American Indian tribes, and individuals to improve the use of fertilizer, water, and on-farm energy. These grants help improve water quality and make agriculture more resilient to weather extremes. In our review, we found that NRCS needed to strengthen its program monitoring policies and procedures. We also determined that NRCS reimbursed nearly \$4.4 million to grantees who did not adhere to grant agreement terms—for example, by not submitting their quarterly financial reports. By addressing these issues, NRCS should make progress toward achieving grant projects’ objectives, maintaining sufficient records for matching funds, and including program data in its reports to Congress. NRCS generally agreed with our recommendations.

Another example of our work in this area is our recent audit of FSA's Agriculture Risk Coverage and Price Loss Coverage Program (ARC/PLC). This program protects producers against revenue shortfalls and price declines. In our review, we found that FSA did not properly coordinate with appropriate groups when implementing ARC/PLC, causing the public to potentially misunderstand the goal of the program. We also found that the Agency made certain payments based on each farm's administrative county instead of the county where the farm was physically located. Lastly, based on our review of production records and historical FSA records, we found that FSA, for 10 of the 30 PLC yields we reviewed, made \$109,580 in improper payments for crop years 2014 and 2015. FSA agreed with our findings and recommendations.

OIG devotes its investigative resources toward ensuring the integrity of USDA farm programs by identifying and prosecuting fraud. This past year, OIG worked with the FBI to uncover an elaborate scheme in which forged Rural Business-Cooperative Service (RBS) Business and Industry (B&I) Guaranteed Loan Program (GLP) documents—purporting to reflect legitimate borrowers—were offered for sale to an investment firm on the financial secondary market. While out on bond awaiting sentencing for the initial fraud, the leader of the conspiracy devised another scheme to defraud RBS and was caught attempting to flee the country. Ultimately, the leader of the conspiracy was sentenced to 300 months in prison and 36 months of supervised release and ordered to pay \$174.7 million in restitution and forfeiture. His co-conspirator in the initial fraud scheme was sentenced to 120 months in prison and 24 months of supervised release, and ordered to pay \$27.6 million in restitution—jointly and severally with the leader of the conspiracy. Lastly, the third co-conspirator was sentenced to 24 months in prison and 24 months of supervised release and ordered to pay \$7 million in restitution. The court also ordered the forfeiture of \$6.4 million in monetary assets seized from a financial account connected to the conspiracy. Additional action is still pending for the leader of the conspiracy for his role in the second fraud scheme.

Federal Contracts

OIG also identifies and prosecutes contract fraud. OIG recently completed an investigation of a father and son in California who submitted falsified company financial information to the Agricultural Marketing Service (AMS). This information overstated the company's ability to perform duties in order to be placed on the approved vendor list. As a result of the fraud, the father and son were awarded five

USDA food supply contracts totaling more than \$4 million. Ultimately, four of the five contracts were terminated for contractor default after the contractors failed to deliver more than 100,000 cases of fruit juice and raisins to community food banks and lunch programs. The father was sentenced to 57 months in prison and 36 months of supervised release and ordered to pay \$1.7 million in restitution. His son was sentenced to 12 months in prison and 36 months of supervised release and ordered to pay \$1.5 million in restitution.

Future Work

OIG is performing a review to determine whether the National Institute of Food and Agriculture (NIFA) has adequate internal controls over grant fund allocations to States for its capacity grant programs based on statutory formulas. Another example of our upcoming work includes our current review of FNS' Food Distribution Program on Indian Reservations (FDPIR), where we are evaluating FNS controls over household eligibility, administrative costs, and damaged, spoiled, or lost food. Lastly, ODS plans to develop a prototype business intelligence tool focused on financial assistance programs.

Goal 3—Management Improvement Initiatives

Our third strategic goal is to support management improvement initiatives. By conducting audits and investigations that focus on areas such as improved financial management and employee accountability, OIG helps USDA better manage its assets.

Financial Management

As mandated by Congress, OIG completed its review of the financial statements for FY 2018 for USDA and component agencies to express opinions about the fair presentation of those statements, identify deficiencies or material weaknesses, and report on the Department's compliance with the Federal Financial Management Improvement Act. This past year, the Commodity Credit Corporation (CCC) devoted significant attention to financial management responsibilities and ultimately obtained an unmodified opinion on its FY 2018 financial statements. Based on our audit of the consolidated financial statements for USDA, we are pleased to note that USDA continues to make progress by addressing significant challenges to ensure accurate presentations of its financial statements. Overall, USDA's FY 2018 financial statements received an unmodified opinion.

Improper Payments

OIG also performs statutorily-required work intended to ensure that USDA is reducing its improper payments. In our recent review, we found that USDA did not comply with improper payment requirements as set forth by the Improper Payments Information Act of 2002 (IPIA), as amended,⁴ for a seventh consecutive year. Specifically, we found that 6 of the 10 high-risk programs did not comply with one or more requirements, such as publishing an improper payment estimate and meeting annual reduction targets. While we observed no overall decline in the accuracy, completeness, and timeliness of USDA's reporting, we identified one instance of incomplete reporting within USDA's published quarterly high-dollar overpayments reports. We also identified instances of inaccurate reporting regarding the Risk Management Agency (RMA), where it miscalculated its reported amounts for six of the nine crop insurance overpayments reviewed. Although USDA maintained its overall reporting quality of high-dollar overpayments, we stressed continued vigilance to prevent and eliminate improper payment errors. The Department generally agreed with our findings and recommendations.

Progress in Grain Inspections

We completed a recent audit to examine the AMS Federal Grain Inspection Service's (FGIS) controls over its inspection of exported grain. We determined that while FGIS has adequate controls over export grain inspection and weighing, FGIS could still improve its information technology. Specifically, we found that although FGIS developed an online system to improve its grain inspection program's efficiency and effectiveness, its applications continued to rely on manual processes to extract, compute, input, and share data. The reliance on manual processes resulted in program inefficiencies, reduced assurance of data accuracy and reliability, and reduced traceability of inspection results throughout the inspection cycle. When this information is not accurate and reliable, Congress, USDA, and interested stakeholders cannot assess the progress and effectiveness of FGIS' inspection and weighing activities. AMS officials concurred with our findings and recommendations.

⁴ Pub. L. 107-300, 116 Stat. 2350, as amended by the Improper Payments Elimination and Recovery Act of 2010 (Pub. L. No. 111-204, 124 Stat. 2224) and by the Improper Payments Elimination and Recovery Improvement Act of 2012 (Pub. L. No. 112-248, 126 Stat. 2390).

Future Work

OIG is performing an inspection to determine USDA's legal and budgetary authority to execute: (1) the realignment of the Economic Research Service (ERS) under the Office of the Chief Economist, and (2) the relocation of ERS and NIFA offices. As part of this review, we will also determine USDA's adherence to any established procedures relating to agency realignment and relocation and procedures associated with cost-benefit analyses. And, as always, we will continue to provide financial statement audits of programs and work with USDA and its agencies to improve their controls over financial reporting.

Conclusion

In closing, we would like to thank the Subcommittee for your continuing interest in our work. Your support has enabled us to carry out our mission of strengthening USDA's programs and operations in support of the American public.

OIG's appropriations for FYs 2014–2018 totaled approximately \$477 million. During this period, the potential dollar impact of OIG's audits and investigations was \$3 billion, resulting in cost savings and recoveries of more than \$6.20 for every dollar invested. During this same period, OIG made 1,187 audit recommendations to improve USDA programs. Furthermore, OIG investigations resulted in 3,106 successful convictions in that same 5-year period.

We appreciate your support in continuing to provide the funding necessary to perform effective oversight and present beneficial recommendations to Congress and USDA decision-makers.

This concludes my testimony. I would be pleased to answer any questions you may have.