

**Statement by
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Food and Drug Administration, and Related Agencies
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Introduction

Good morning, Chairman Bishop, Ranking Member Fortenberry, and Members of the Subcommittee. Thank you for the opportunity to testify about the Office of Inspector General's (OIG) fiscal year (FY) 2020 oversight results and our plans for FY 2021. As you know, OIG's mission is to promote economy, efficiency, effectiveness, and integrity in the delivery of the U.S. Department of Agriculture's (USDA) programs; we conduct audits, inspections, data analytics, and reviews and make recommendations to help improve how USDA's programs operate in order to execute this mission. We also conduct investigations of individuals and entities suspected of engaging in criminal, civil, and/or administrative wrongdoing involving USDA programs and operations. My statement will address OIG's work regarding oversight of USDA's \$150 billion in annual appropriations and \$61 billion for pandemic response activities.

At the outset, I want to acknowledge that we are operating in a much different environment than when I testified in February 2020. OIG implemented maximum telework in March 2020 due to the coronavirus disease 2019 (COVID-19) pandemic. As with other Federal agencies, this new approach to our work has challenged us to be flexible, implement new technologies, and find innovative ways to accomplish our mission. Our FY 2020 results demonstrate that OIG has adapted well.

In FY 2020, our oversight work resulted in monetary results totaling over \$360 million. We published 44 final audit reports and made 196 recommendations to strengthen and improve USDA programs and operations. Overall, our audit work during this period has identified \$213.4 million in questioned costs and funds that could be put to better use. Our investigative work during the same period led to 345 convictions, with monetary results totaling approximately \$146.7 million.

Our data analytics initiatives empower OIG to leverage data and information proactively in order to promote efficiency and effectiveness and modernize the way OIG does business and conducts its oversight and operations. In FY 2020, our analytics and innovation staff participated in a total of 45 audits and investigations.

COVID-19 Oversight

In response to the COVID-19 pandemic, Congress has enacted three public laws to date: the Families First Coronavirus Response Act, the Coronavirus Aid, Relief, and Economic Security (CARES) Act; and the Coronavirus Response and Relief Supplemental Appropriations Act, 2021. The first two laws provided more than \$47.7 billion to USDA for pandemic relief activities, and the third law provided more than \$13.3 billion in additional funding. To provide oversight of USDA funding received in the CARES Act, OIG received \$750,000, almost all of which was expended by the start of calendar year 2021. As we address our oversight portfolio of both ongoing USDA programs as well as new pandemic response initiatives, our approach is to rely on the best available data to conduct risk assessments of USDA programs and activities to prioritize our resources.

In FY 2020, one of our initial COVID-19 projects was to identify whether recommendations from previous audits could affect internal controls over COVID-19 funding activities for USDA agencies. We identified recommendations for the Food and Nutrition Service (FNS) and Forest Service (FS), and we issued a separate memorandum to each agency that highlighted ways to protect the integrity of COVID-19 funding with respect to these prior recommendations.

OIG also issued two COVID-19 related reports. One report identified the funding streams USDA used to respond to the COVID-19 pandemic as of May 31, 2020. Specifically, we identified the programs, appropriations, and any other funding streams used; we also identified key controls and mechanisms, including applicable information technology (IT) systems for the identified programs. The other report provided OIG comments on the Wildland Fire Response Plans that were developed in order to more safely and effectively combat wildland fires during the COVID-19 pandemic. In reviewing the plans, we considered guidance issued by various health organizations, including the Centers for Disease Control and Prevention, the Occupational Safety and Health Administration, and the World Health Organization. We also considered publicly available information from both the USDA Reopening Playbook and the USDA COVID-19 Playbook to determine if fundamentals prescribed in the guidance would enhance the protocols for wildfire response during the COVID-19 pandemic.

Early in FY 2021, to enhance transparency related to USDA COVID-19 related procurements, OIG published a publicly available dashboard on its website. The dashboard, which is geocoded, allows stakeholders to interact with USDA's COVID-19 related procurement actions.

We continue to receive complaints and referrals related to allegations associated with COVID-19 pandemic relief from the public, USDA employees, and agencies. Assessment of these allegations is a

top priority. In coordination with our data analysts, as well as USDA program experts, OIG's investigators are pursuing the identification of various fraud schemes associated with the Coronavirus Food Assistance Program (CFAP), which provides assistance to certain agricultural producers whose operations were directly impacted by the pandemic.

We anticipate completing a number of COVID-19 related projects in FY 2021. One ongoing project is an inspection of the Farmers to Families Food Box Program administration. We also expect to conclude a review that will examine whether the Farm Service Agency (FSA) provided timely and accurate CFAP direct payments to eligible recipients. In addition, we have inspections in process regarding nutrition and food assistance, food safety at inspected establishments, and modifications of business loans in response to the pandemic. We are also conducting a pulse survey to obtain information about how the Food Safety and Inspection Service's (FSIS) frontline inspectors perceive COVID-19 safety conditions in their work environments.

Finally, OIG is also working with the larger Federal oversight community as an active member of the Pandemic Response Accountability Committee, established by the CARES Act, which promotes transparency and coordinated oversight of COVID-19 spending across the Federal Government.

Strategic Goal 1—Safety, Security, and Public Health

OIG's first goal is to help strengthen USDA's ability to protect public health and safety and to secure agricultural and Department resources.

Public Health

As part of this goal, OIG works to ensure the safety and integrity of the U.S. food supply. A recent investigation revealed that two meat processing plant executives conducted after-hours processing of more than 770,000 pounds of non-inspected ground beef. The executives used meat that had been shipped to various prisons and returned because it arrived unfrozen; they then added unauthorized animal parts, repackaged the adulterated beef without the knowledge and approval of FSIS, and shipped it to multiple Federal Bureau of Prison facilities throughout the United States. As a result of the shipments, the Department of Justice paid the meat processing plant \$1 million for the misbranded product. One of the executives was sentenced to 46 months in prison and 36 months of supervised release, and the other executive was sentenced to 42 months in prison and 12 months of supervised release.

OIG also works to mitigate critical challenges in animal health. As such, we reviewed the Animal and Plant Health Inspection Service's (APHIS) oversight of the National Veterinary Stockpile (NVS).

Homeland Security Presidential Directive-9 established the NVS to contain sufficient quantities of animal vaccine, antiviral, or therapeutic products to appropriately respond to the most damaging animal diseases affecting human health and the economy. Our review concluded that APHIS' Veterinary Services (VS) did not adequately oversee NVS supply and equipment inventory levels and did not determine whether States and vaccine manufacturers implemented recommendations from NVS exercises designed to validate preparedness. In addition, VS officials were unaware if participants in exercises designed to validate emergency preparedness had improved their ability to respond to an animal disease outbreak. These issues, if not mitigated, could impact the response to an animal disease outbreak due to supply shortages or inoperable equipment. APHIS concurred with our findings and recommendations.

Security

In order to help the Department secure its assets and best achieve its mission, we performed an audit of four mission areas within USDA to provide an assessment of the management and security of the Department's IT resources as they pertain to access management and logging controls. Following our review, we found that the Department did not fully implement Federally mandated controls. The Office of the Chief Information Officer (OCIO) concurred with our findings, and we continue to work to reach agreement on the outstanding recommendations.

Furthermore, as required by the Federal Information Security Modernization Act, OIG conducted its FY 2020 review of USDA's ongoing efforts to improve its IT security programs and practices. We also reviewed corrective actions taken by OCIO to implement OIG's prior audit recommendations. We found that USDA continues to take positive steps to improve its IT security posture, but many longstanding weaknesses remain. The Office of Management and Budget (OMB) establishes standards for an effective level of security and considers "Managed and Measurable" as a sufficient level. However, we found the Department's maturity level to be at the lower "Consistently Implemented" level. Based on OMB's criteria, the Department's overall score indicates an ineffective security level. OCIO generally concurred with the findings and recommendations in the report.

Animal Fighting

OIG also conducts investigations into allegations of animal fighting. In a recently concluded investigation, four individuals were sentenced to prison terms ranging from 8 to 18 months and 36 months each of supervised release for their respective involvement in an enterprise to buy, sell, transport, and possess dogs intended to participate in dogfights. Operating from locations in Tennessee and Florida, they transported the dogs to and from both States. They also purchased at least one dog in Alabama. In

addition to buying and selling dogs, the individuals assessed and trained them for participation in dogfights. One of the individuals, who was not a licensed or trained veterinarian, performed unlicensed surgical procedures on dogs injured in dogfights.

Future Work

We plan to complete work on USDA's IT incident response. This review will examine whether USDA followed Federal and Departmental incident response guidance. Another audit underway is evaluating APHIS' controls to ensure breeder compliance with the Animal Welfare Act and is following up on actions taken in response to a previous audit.

Strategic Goal 2—Integrity of Benefits

Our second strategic goal is to strengthen USDA's ability to deliver programs with integrity and effectiveness.

Disaster Assistance

One disaster assistance program administered by FSA, the Wildfires and Hurricane Indemnity Program (WHIP), was established to provide payments to eligible producers to offset losses from hurricanes and wildfires that occurred in the 2017 calendar year. In a recent review, we found that more than 1,160 producers were placed on registers, which allowed applicants to have their applications processed after the eligibility deadline, and more than 1,650 producers' applications were initiated in a quasi-register without documented approval to do so. As a result, FSA issued more than \$103 million in WHIP payments to producers in Florida and Georgia who did not submit signed applications by the designated deadline. We also identified issues on 39 out of 73 sampled applications due to inadequate guidance and oversight that resulted in more than \$8 million in improper payments in Florida and Georgia. During our review, FSA concurred with our findings and most of our recommendations, and we continue working to obtain agreement on the outstanding recommendations.

We also conducted a recent review of the Emergency Assistance for Livestock, Honeybees, and Farm Raised Fish Program (ELAP). Through this program, FSA provides financial assistance to eligible producers in the event of losses due to disease, certain adverse weather events, or other loss conditions. Our audit focused on honeybee producers' applications and payments, since they represented more than 79 percent of all ELAP commodity payments for program year 2017. We found miscalculations in ELAP payments, payments issued to ineligible producers, and a lack of oversight. In total, we questioned costs of more than \$10.1 million. FSA concurred with our findings and recommendations.

Trade Mitigation

In July 2018 and May 2019, the Secretary of Agriculture announced a trade mitigation package that authorized up to \$12 billion and \$16 billion, respectively, in assistance to producers in response to trade damage from retaliatory tariffs imposed by foreign nations. To implement the trade mitigation packages, USDA authorized FSA to distribute up to \$25.1 billion in trade mitigation package funding through the Market Facilitation Program (MFP). In response to a Congressional request, we are currently reviewing the MFP and issued an interim report in September 2020 that addressed the collection of demographic data. We found that the manner in which FSA collected demographic information for programs it administers, including MFP, did not always follow USDA policy. Departmental regulation prohibits the collection of race, ethnicity, and gender data based on a visual assessment, yet FSA county office employees assigned race, ethnicity, and/or gender to producers through such means. This data collection occurred because FSA's policy and customer data management system continued to require entry of the data after the Departmental regulation was implemented. As a result, the system contains race, ethnicity, and gender data not provided by producers. In addition, FSA shared the data with third parties, even though the data may not accurately represent demographic information for more than 530,000 producers within the agency's programs. FSA concurred with our finding and recommendations.

Food Assistance

A significant portion of OIG's investigative resources is dedicated to ensuring the integrity of the Supplemental Nutrition Assistance Program (SNAP) by combating the practice of exchanging benefits for currency or other ineligible items. One such case was completed when the fifth of five store employees was sentenced to 12 months and 1 day in prison and 36 months of supervised release. The employee also was ordered to pay restitution of more than \$1.5 million (jointly and severally with three other employees of the same store who were sentenced previously). OIG initiated the investigation in order to determine if the storeowner or employees of a convenience store exchanged SNAP benefits for cash. The investigation determined that five store employees exchanged SNAP benefits for cash and other ineligible items such as drug paraphernalia, cigarettes, and hardware for SNAP benefits valued at more than \$1.5 million. The charges against one employee were dismissed and four employees separately pled guilty to charges of conspiracy to commit SNAP fraud and/or SNAP fraud. Three of the employees were previously sentenced to a combined total of 93 months in prison and 96 months of supervised release.

Advanced Biofuel Payment Program

In another recent investigation, a Pennsylvania businessman was sentenced to 84 months in prison and 36 months of supervised release. He also was ordered to pay more than \$10.2 million in total restitution. This investigation was initiated after information was provided to law enforcement that the individual's company was inflating biofuel production numbers related to the Advanced Biofuel Payment Program for payments that Rural Development provided as an incentive to produce biofuel. Payments received were based on the number of gallons of biofuel the company reported it produced for the 2010 and 2011 production years. On November 17, 2020, a second individual, who was a co-conspirator and had previously pled guilty, was sentenced to 12 months and 1 day in prison and 36 months of supervised release. He also was ordered to pay more than \$10.2 million in total restitution jointly and severally with the Pennsylvania businessman, as detailed above.

Future Work

In our continuing work to provide oversight for disaster-related programs, OIG anticipates completing its review of the Florida Citrus Block Grant Program. In addition, we are reviewing two USDA grant programs. One review focuses on whether the Foreign Agriculture Service's grant selection process complied with the agricultural trade promotion program requirements. Another review is evaluating the Office of Partnership and Public Engagement's policies, procedures, and internal controls related to its program for outreach and assistance to socially disadvantaged farmers and ranchers, and veteran farmers and ranchers.

We are also continuing work to refine a Procurement Risk Scorecard prototype. The scorecard allows OIG to explore anomalies and trends that may be a result of fraudulent activity or internal control weaknesses.

Strategic Goal 3—Management Improvement Initiatives

Our third strategic goal is to strengthen USDA's ability to achieve results-oriented performance. By conducting audits and investigations focused on areas such as financial management, IT, procurement, and employee integrity, we help USDA better manage its assets.

Scientific Research and Integrity

In response to Congressional requests, OIG reviewed USDA'S Research, Education, and Economics (REE) mission area to assess whether changes in policy and/or processes impacted the publication of scientific reports and other documents/communications and to analyze the impact of any changes in

resources, staff, and staff experience levels on the publication of research results. OIG did not identify an instance where any change in policies and/or processes impacted the publication of USDA research results during FYs 2017–2019. Further, OIG could not determine the full impact of changes in resources, staff, or staff skills. This occurred because REE cannot accurately and timely identify or count the number of scientific publications it issued relevant to its stakeholders or across all REE agencies. REE agreed with OIG’s recommendation.

Improper Payments

OIG found that USDA continued to report noncompliance with improper payment requirements as set forth by the Improper Payments Information Act of 2002, as amended. USDA reported mandatory improper payment information for 12 high-risk programs for FY 2019. We found that 5 of the 12 high-risk programs did not comply with one or both of the following requirements: meeting annual reduction targets or reporting gross improper payment rates of less than 10 percent. This occurred because the programs’ corrective actions have not yielded the desired results, and staff did not follow some programs’ policies and procedures. For the high-priority programs, we noted no issues in our evaluation of USDA’s reported actions to prevent and recover improper payments and the quality of improper payment estimates and methodologies used. We also found that USDA maintained the quality of its high-dollar overpayments reports for FY 2019. Specifically, we noted no critical declines in the accuracy, completeness, or timeliness of the Department’s reporting. The Department generally agreed with our findings and recommendations.

Summer Food

In September 2020, OIG issued a report that consolidated the relevant results and common control issues identified in six OIG Summer Food Service Program (SFSP) audits at FNS and four States. SFSP, run by FNS, provides free meals to children in needy areas when school is not in session. SFSP is a Federally funded, State agency-administered program, and FNS is responsible for State oversight. We determined that additional controls were needed to enhance SFSP efficiency and effectiveness. Specifically, we found FNS could strengthen State instructions on how to assess applicants’ eligibility and program compliance in two areas: financial capability and approval of sites in near proximity. We also found that FNS’ State SFSP monitoring requirements did not include sufficient guidance for State agencies to ensure the accuracy of sponsor program payments. FNS agreed with our findings and most of our recommendations, and we continue to work to reach agreement on the outstanding recommendations.

Modernization of Swine Slaughter Inspection

In response to a Congressional request, OIG reviewed the FSIS' rulemaking process for the proposed rule on the modernization of swine slaughter inspection as it related to worker safety analysis. Based on our inspection, we concluded that FSIS generally complied with the public participation requirements under Executive Order 13563 and, to the extent required, communicated to the Occupational Safety and Health Administration and the National Institute for Occupational Safety and Health about the impact of the proposed rule. However, we found that FSIS did not fully disclose its data sources in its worker safety analysis, did not fully adhere to the USDA Information Quality Activities Guidelines data presentation and transparency requirements in the worker safety analysis section in the proposed rule, and did not take adequate steps to determine whether the worker safety data it used for the proposed rule were reliable. FSIS provided its response to our findings and we reached agreement on how to address the report's recommendations.

Employee Misconduct

As part of this goal, OIG investigates allegations related to employee integrity. One such investigation resulted in a former Forest Service (FS) employee being sentenced to 12 months in prison and 36 months of supervised release. The employee was removed from Federal service prior to sentencing. OIG initiated this investigation based on a referral from FS Law Enforcement and Investigations, which reported that an individual disclosed that an FS employee stole tools, dental equipment, and Novocain from a job corps center in Oregon. Stolen Government property was seized from the FS employee's residence as well as from his mother's residence.

In another investigation, a former director with FS' Office of Acquisition Management agreed to pay the United States \$20,000 to resolve allegations of violations of ethical restrictions on former officers, employees, and selected officials of the executive and legislative branches of the United States. Under ethics statutes, and as source selection authority, the former employee was subject to a lifetime ban after separating from Government service from being personally and substantially involved with the company that was awarded the contract. During the course of the investigation, OIG learned that the former FS official was hired in 2012 as the Chief Executive Officer of the company awarded the contract. Further, OIG found that the official negotiated with FS to provide additional equipment and air tanker services paid out of funds allocated under the contract.

Future Work

At present, OIG is evaluating the Office of the Assistant Secretary for Civil Rights' oversight of the civil rights complaints process. In addition, as mandated by Congress, OIG will review FY 2021 financial statements for USDA and its component agencies, to express opinions about the fair presentation of those statements, determine if the internal control objectives of financial reporting were met, and evaluate whether all material and applicable laws and regulations were complied with.

Conclusion

In closing, we would like to thank the Subcommittee for your continued 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.

For FYs 2016–2020, OIG's appropriations totaled approximately \$488.5 million. During this period, the potential dollar impact of OIG's audits and investigations was \$4 billion, resulting in cost savings and recoveries of \$8.19 for every dollar invested. During this same period, OIG made 1,103 audit recommendations to improve USDA programs. Furthermore, OIG investigations resulted in 2,476 successful convictions in that same 5-year period.

We appreciate your support in continuing to provide the funding necessary to perform effective oversight and make recommendations to Congress and USDA decision-makers to improve program effectiveness.

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