

UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

**STATEMENT OF
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Submitted to

The Subcommittee on Agriculture, Rural
Development, Food and Drug Administration, and
Related Agencies

Committee on Appropriations

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Good morning, Chairman Aderholt, Ranking Member Bishop, and Members of the Subcommittee. Thank you for the opportunity to testify concerning the oversight the Office of Inspector General (OIG) provides to Department of Agriculture (USDA) programs and operations. Our mission is to promote economy, efficiency, effectiveness, and integrity in the delivery of USDA's programs.

To accomplish that mission, we conduct audits designed to determine if a program is functioning as intended, if program payments are reaching intended recipients, and if funds are achieving their intended purpose. Our audits make recommendations that will help USDA better accomplish its mission. We do not have program operating authority over USDA agencies or programs; instead, agencies are responsible for implementing our recommended corrective actions. We also conduct investigations of individuals and entities suspected of abusing USDA programs—these investigations can result in fines and imprisonment for those convicted of wrongdoing, disqualification from USDA or other Federal programs, and agency disciplinary actions for USDA employees engaging in misconduct.

In fiscal year (FY) 2016, OIG concluded audits and investigations that have helped improve how the Department administers its annual budget of \$159 billion. Last year, our audit and investigative work obtained potential monetary results totaling more than \$374 million. We issued 42 audit reports, including 2 interim reports, and made 275 recommendations to strengthen USDA programs and operations, which produced about \$213.9 million in potential results. OIG investigations led to 621 convictions with monetary results totaling \$160.1 million.

Today I will discuss our most significant recent audits and investigations under our major strategic goals, as well as other work in process. Before I do so, however, I would like to thank Congress for its work in passing the Inspector General (IG) Empowerment Act of 2016,¹ which provided OIG with exemptions from the Computer Matching Act and the Paperwork Reduction Act requirements, improving our ability to perform data analysis. We previously notified you that OIG was establishing the Office of Data Sciences (ODS). This office specializes in using

¹ Pub. L. No. 114-317, 130 Stat. 1595.

data analytics to identify areas that merit additional scrutiny, and to enhance our audit and investigative efforts. The IG Empowerment Act should positively affect that work.

Strategic Goal 1—Safety, Security, and Public Health

OIG's first priority is to help strengthen USDA's ability to protect public health and safety. Our work focuses on issues such as the ongoing challenges of agricultural inspection activities, the safety of the Nation's food supply, and homeland security.

Food Safety Investigations

As an example of this type of work, OIG has recently completed an investigation into a meat packing company whose employee provided false *Escherichia coli* test result certificates to the Food Safety and Inspection Service (FSIS). After receiving a referral from FSIS officials indicating that they had discovered various suspicious discrepancies in laboratory tests, OIG investigated and executed a search warrant that uncovered the falsified documents. Since falsifying the testing documents posed a threat to public health, FSIS and the company initiated a recall. As a result of this case, the employee of the plant was recently sentenced to one year of home confinement and ordered to pay \$307,696 in restitution.

During the last year, we also completed a major investigation of a meat processing facility in which the owners and employees allowed cows diseased with cancer eye to be processed for human consumption. A massive meat recall was ordered, and OIG's investigation resulted in four convictions with sentences ranging from six months of home detention to one year in prison. Two defendants were ordered to pay restitution totaling \$2.9 million.

Animal Welfare at Agricultural Research Service Facility

OIG also performs work to ensure the welfare of animals used in research. On January 19, 2015, *The New York Times* published an article containing a number of statements critical of animal care and mortality levels at the U.S. Meat Animal Research Center (USMARC). USMARC is

the Agricultural Research Service's (ARS) primary facility for research on beef, sheep, and swine; ARS, in turn, is USDA's chief in-house research agency. In response to a request from you, Mr. Chairman, former Ranking Member Farr, and other Members, we initiated an audit, carefully reviewed 33 statements in this article, and concluded that most were inaccurate, lacked sufficient context, or were uncorroborated. Overall, we did not note evidence indicating a systemic problem with animal welfare at USMARC.

Nevertheless, we did find that ARS could improve its oversight of animal welfare at the facility and take steps to make its research more transparent to the public. In general, the controls for overseeing animal welfare at USMARC lacked specificity, and the steps ARS took to perform inspections or handle complaints were not carefully documented. ARS did not make it a priority to establish, maintain, and monitor compliance with animal welfare-related policies and procedures at the facility. ARS concurred with our findings and recommendations.

IT Security

As required by the Federal Information Security Modernization Act of 2014 (FISMA),² OIG reviewed USDA's ongoing efforts to improve its information technology (IT) security program and practices during FY 2016. Although USDA is working to improve its IT security posture, many longstanding weaknesses remain. We continue to find that the Office of the Chief Information Officer (OCIO) has not implemented corrective actions that the Department has committed to in response to prior OIG recommendations. In FYs 2009 through 2015, OIG made 61 recommendations for improving the overall security of USDA's systems, 18 of which are overdue for completion. Moreover, our testing identified that security weaknesses still exist in 3 of the 39 closed recommendations.

Our testing also identified weaknesses in areas such as risk management, configuration management, and information security continuous monitoring. Due to these weaknesses, we continue to report a material weakness in USDA's IT security, which was included in the

² Pub. L. No. 113-283, 128 Stat. 3073.

Department's Federal Managers' Financial Integrity Act report.³ As a result, OIG concluded that the Department lacks an effective information security program. OCIO concurred with the findings in this report and generally agreed with the recommendations.

Future Work

In upcoming work related to Goal 1, OIG is assessing whether USDA scientists perceive they have an unhindered ability to perform, communicate, and publish all appropriate aspects of their research assignments or projects. ODS' analytical, statistical, and research tools have proven especially valuable for this project, which is based, in part, on a survey of USDA scientists that ODS is finishing.

We also recently initiated an audit to determine whether the actions the Forest Service took in response to complaints of sexual misconduct and harassment in the workplace were effective and sufficient. Because OIG treats threats to the safety of USDA's employees as one of its highest priorities, we have re-allocated resources to address this issue.

Strategic Goal 2—Integrity of Benefits

OIG works to reduce program vulnerabilities and strengthen program integrity in the delivery of USDA benefit and entitlement programs, which support nutrition, farm production, and rural development. The intended beneficiaries of these programs include the working poor, disaster victims, school children, farmers, and other citizens.

Since the Supplemental Nutrition Assistance Program (SNAP) alone accounted for approximately \$67 billion (42 percent) of USDA's FY 2016 spending, OIG devotes a considerable amount of its resources to ensuring that SNAP is functioning as intended. In FY 2016, about 55.8 percent of OIG's investigative resources were devoted to SNAP-related criminal investigations; these OIG investigations resulted in 510 convictions and monetary results totaling \$95.6 million. Our investigations seek to hold those who abuse SNAP

³ Pub. L. No. 97-255, 96 Stat. 814.

accountable. These investigations concern retailers who profit from benefit trafficking and recipients who illegally exchange their benefits for cash and other goods. Additionally, we have ongoing investigations involving potential violations of SNAP program requirements that derive from prior audit work and do not involve retailer and recipient trafficking.

SNAP Administrative Costs

Our audits also help ensure the effective administration of SNAP. For example, in recent work, we reviewed how the Food and Nutrition Service (FNS) and the States oversee and monitor SNAP administrative costs for county-administered programs. We found that FNS could be more proactive in analyzing and containing variances in SNAP costs-per-case, which range in States with county-administered programs from \$10 per case to as high as \$34. FNS' regional offices' financial management reviews and risk assessments were not consistent, and the national office has not developed guidance to ensure consistent results. We also found that weaknesses in State and county financial management controls and a lack of effective FNS oversight led to inaccurate program financial reporting and questioned costs. FNS generally concurred with our findings.

SNAP Able-Bodied Adults Without Dependents

Additionally, we reviewed FNS' oversight of State agency controls over SNAP to determine if only eligible able-bodied adults without dependents (ABAWD) are receiving related benefits. We found that provisions regarding ABAWDs are complex and difficult for States to implement. FNS can approve States to waive temporarily the time limit in areas with high unemployment or insufficient jobs, but some States request and receive time limit waivers simply to reduce the burden of tracking ABAWD time limits. Thus, in some States, an ABAWD may not be subject to work requirements. When ABAWD policy is applied inaccurately, eligible ABAWDs are denied SNAP benefits, while otherwise ineligible ABAWDs are provided benefits. FNS agreed with our findings and recommendations.

Fraud in Other Food Assistance Programs

Our investigations also pursue fraud in food assistance programs other than SNAP. A recent OIG investigation found that a former Arkansas Department of Human Services employee defrauded both the FNS Summer Food Service Program and the Child and Adult Care Feeding Program. Both programs are intended to provide nutrition for at-risk children. We discovered that the employee was paid an estimated \$300,000 in bribes by two feeding program sponsors in exchange for approving applications with unrealistic numbers of children expected to be fed. This past January, the defendant was sentenced to 108 months in prison and ordered to pay \$7.6 million in restitution.

USDA Farm Agencies Sharing of Compliance Data

Recent audit work covers USDA's farm programs, which in FY 2016 accounted for \$25 billion, or 16 percent of USDA's budget. For instance, we have completed a review of how the Farm Service Agency (FSA), the Risk Management Agency, and the Natural Resources Conservation Service (NRCS) coordinate and share data to ensure that participants meet eligibility requirements and that payments do not exceed program limitations. USDA agencies implemented a variety of data sharing processes and coordinated efforts for the purpose of assuring compliance with program requirements. However, for the period reviewed, we found the participating agencies' lack of adequate planning and coordination in the development of a data sharing initiative resulted in a system that does not fully achieve its intended goals. In addition, though agencies have manual processes in place to share data, they lack automated processes that help manage programs and reconcile data used by multiple programs. The agencies generally concurred with our recommendations to correct these issues.

Wetland Conservation

Another farm program audit reviewed how NRCS administers the wetland provisions in the "prairie pothole region" (Iowa, Minnesota, North Dakota, and South Dakota). If farmers are receiving USDA farm program benefits, they may not bring wetlands into agricultural

production. Accordingly, NRCS is responsible for making technical determinations regarding whether a wetland exists on a given tract of land. After receiving a complaint concerning recent changes in how NRCS makes these determinations, OIG found that, in response to a backlog of requests for wetland determinations, NRCS made significant changes in its process for wetland determinations that allowed producers to drain and farm more wetlands. The process for making this change was not carried out in a transparent manner. NRCS generally agreed with our finding and recommendations.

Farm Fraud

Our investigators also perform work intended to ensure the integrity of farm program benefits. A recent investigation determined that the vice president of a Mississippi bank misused his position and manipulated bank records, misapplied funds, issued fraudulent letters of credit, and forged signatures on loan documents and check endorsements pertaining to FSA-guaranteed loans. These fraudulent activities resulted in loan losses in excess of \$3.6 million. The bank official was charged with one count of bank fraud and one count of embezzlement. In July 2016, in U.S. District Court, Southern District of Mississippi, the man was sentenced to 24 months in prison and ordered to pay \$3.3 million in restitution.

Overall, in FY 2016, OIG investigations of fraud, waste, and abuse in USDA's farm programs resulted in 45 convictions and \$30.8 million in monetary results.

Future Work

In upcoming work, OIG is reviewing the Rural Business-Cooperative Service's intermediary re-lending program, as well as the Rural Housing Service's controls over originating and closing single family housing direct loans.

Strategic Goal 3—Management Improvement Initiatives

By conducting audits and investigations that focus on areas such as improved financial management and accountability, OIG helps USDA better manage its assets.

Financial Management

In FY 2015, USDA, along with two component agencies—the Commodity Credit Corporation (CCC) and NRCS—faced significant challenges to ensure accurate presentation of their financial statements. The audits of CCC’s and NRCS’ financial statements each resulted in a disclaimer of opinion. Both CCC and NRCS were unable to provide adequate evidence to support a significant number of transactions and account balances. As a result, OIG was not able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion, and therefore did not express an opinion on USDA’s consolidated financial statements for FY 2015 and 2014.

In FY 2016, USDA made progress in addressing these issues. CCC undertook various audit remediation efforts to address the prior year’s material weaknesses on its balance sheet and received an unmodified opinion on that portion of its financial statements. NRCS’ progress in addressing weaknesses also resulted in an unmodified opinion on its balance sheet. Overall, due to these efforts, USDA also received an unmodified opinion on its balance sheet for FY 2016. We continue to work with the Department and its agencies to improve their controls over financial reporting.

Improper Payments

OIG performs statutorily required work intended to ensure that USDA is reducing its improper payments. 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 fifth

⁴ Pub. L. No. 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).

consecutive year. USDA reported mandatory improper payment information for 18 programs identified as susceptible to significant improper payments (thus considered high-risk programs), and complied with three of six IPIA requirements. However, 9 of the 18 high-risk programs did not comply with one or more of the following requirements—they did not publish an improper payment estimate as required, meet annual reduction targets, or publish gross improper payment rates of less than 10 percent. The Department generally agreed with our findings and recommendations to correct these issues.

Future Work

In upcoming work under Goal 3 that may be of interest to the Subcommittee, OIG is continuing compliance work on improper payments. We also have ongoing audit work on suspension and debarment at USDA, as well as a review of how well the Department has historically achieved final action on OIG audit recommendations.

Conclusion

We appreciate the Subcommittee's interest in the results of OIG audits and investigations that identify needed improvements in the wide array of USDA's programs and operations. As OIG moves forward in 2017, we plan to use our data analytics capacity to make our oversight activities even more effective at identifying and addressing impediments to USDA's program administration.

We would like to thank the Subcommittee for its continuing support in recent years. Over the last five fiscal years, OIG's total cumulative appropriation was approximately \$448 million. During this period, the potential dollar impact of OIG's audits and investigations was over \$5 billion, resulting in cost savings and recoveries of approximately \$11.25 for every dollar invested in OIG. During this same period, OIG made 1,480 total audit recommendations. While some of these recommendations carry no monetary value, they can significantly improve safety, security, and public health. It is also noteworthy that OIG investigations resulted in 3,136 successful convictions in that same timeframe.

In our FY 2015 appearance before this Subcommittee, we informed you that we finished FY 2014 with our lowest level of staffing since we were statutorily established in 1978. This Subcommittee supported modest increases to our budget during the following two fiscal years, and we were able to increase our level of staffing to further support our mission. Unfortunately, we are again at our lowest staffing level since 1978. This is due to a number of staff losses during the past year and the need to proceed carefully in hiring new employees due to the uncertainty of our FY 2017 appropriation.

We appreciate your support in continuing to provide funding that will allow us to provide effective oversight and beneficial recommendations to Congress and USDA decision makers.

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