USDA OFFICE OF INSPECTOR GENERAL

Investigations and Audit Activities Completed in August 2021

Investigations

Agricultural Research Service

Former Agricultural Research Service Employee Sentenced to Prison for Child Pornography—Louisiana

This investigation was conducted to determine if a United States Department of Agriculture (USDA) Agricultural Research Service (ARS) GS (General Schedule)-11 employee committed various crimes against minors. Initially, the employee was a target of the Louisiana Bureau of Investigations (LBI) and Homeland Security Investigations (HSI). Once it was determined the individual was a USDA ARS employee, the USDA Office of Inspector General (OIG) partnered in the investigation. OIG seized the employee's government-issued computer and cellphone for forensic review, and their employment was terminated by ARS while the investigation was ongoing. On July 26, 2019, LBI and HSI served a Federal search warrant at the former employee's residence and the former employee was arrested.

On July 23, 2021, in the 22nd Judicial District Court of Louisiana, the former employee pled guilty to 1 count of second degree rape of a victim under the age of 13, 2 counts of molestation of a victim under the age of 13, 20 counts of production of pornography involving juveniles under the age of 13, and 51 counts of possession of pornography involving juveniles under the age of 13.

On July 26, 2021, the individual was sentenced to 40 years for the second degree rape of a victim under the age of 13, 40 years for each count of molestation of a victim under the age of 13, 20 years for each count of production of pornography involving juveniles under the age of 13, and 20 years for each count of possession of pornography involving juveniles under the age of 13. All sentences were ordered to be served concurrently.

Farm Service Agency

Individual Sentenced to 30 Months in Prison and Ordered to Pay $248,739 in Restitution for COVID-19 Relief Fraud—Georgia

In June 2020, the United States Attorney's Office in the Northern District of Georgia initiated a grand jury investigation into an individual for potential tax fraud related to COVID-19-related tax benefits.

In April 2020, a claim was filed with the Internal Revenue Service (IRS) for COVID-19-related tax benefits in the amount of $1,479,858. A company was listed as a product manufacturer and purported to have approximately 478 employees. This claim was never paid by IRS. The individual that owned the company formed it in March 2017. It was listed as a car dealer with a specific Georgia address, but that address was actually a single-family residence owned by the individual. There was no indication that a business operated at the home.

During the investigation, it was discovered that the individual was also falsely claiming farm property and livestock losses, and had filed false applications for the Coronavirus Food Assistance Program (CFAP).

On March 18, 2021, the individual entered a guilty plea in the U.S. District Court in the Northern District of Georgia for making a false claim to USDA. On August 3, 2021, the individual was sentenced to 30 months in prison, followed by 3 years of supervised release. The individual was also ordered to pay restitution in the amount of $248,739.

Food and Nutrition Service

Former Social Services Employee Sentenced to 30 Months in Prison and Ordered to Pay $233,913 in Restitution for Theft of Government Property—North Carolina

This investigation began when the North Carolina Sheriff's Office contacted USDA OIG about a county Department of Social Services employee who used their government position to fraudulently obtain SNAP benefits. USDA OIG reviewed the evidence obtained by the sheriff's office and the Department of Social Services and initiated an investigation with their assistance.

The investigation revealed that the employee used their position as an income maintenance caseworker to gain access to SNAP accounts belonging to 12 people who were no longer seeking SNAP benefits and/or who had moved out of North Carolina. The employee used a North Carolina computer SNAP database to keep those SNAP accounts active and changed the account addresses to addresses from which they could intercept the accounts' electronic benefits transfer (EBT) cards. Additionally, the employee added dependents to those SNAP accounts to increase the monthly SNAP benefits, fraudulently obtained over $230,000 of those benefits, and sold the EBT cards to known and unknown conspirators for cash.

On November 25, 2020, a criminal information was filed in the U.S. District Court, Eastern District of North Carolina, charging the employee with one count of theft of Government property. On May 11, 2021, the employee pled guilty as charged pursuant to a plea agreement with restitution of $233,913.

On August 13, 2021, the employee was sentenced to 30 months in prison and 36 months of supervised release. The employee was also ordered to pay the $233,913 in restitution.

Departmental Management

Allegations of Misconduct Relating to Contracting Violations—Washington, D.C.

OIG initiated an investigation into allegations of misconduct regarding contracting activities within USDA's Office of Homeland Security (OHS), formerly known as USDA's Office of Homeland Security and Emergency Coordination. The investigation revealed that a senior Government employee within OHS accepted bribes, gifts, or gratuities from a contractor and conspired to steer and/or unlawfully award contracts to the contractor and its subsidiaries. The employee retired while the investigation was ongoing. In May 2021, the former senior Government employee pled guilty to one count of bribery and on August 10, 2021, was sentenced to 48 months of probation, with the first 180 days to be served in home detention, and was ordered to pay a $110,000 fine.

Audit

California's Controls Over Summer Food Service Program
Audit Report 27004-0001-41
August 12, 2021

This report was revised and reissued on August 12, 2021, to correct Exhibit A and clarify some narrative information. These revisions had no material impact on the

report's findings, conclusions, recommendations, or post audit actions.
OIG's objective was to determine whether California had adequate controls in place to reasonably ensure that the Summer Food Service Program (SFSP) was operating under program requirements. Specifically, OIG's objective was to (1) evaluate the adequacy of the State agency's controls over SFSP sponsors and (2) determine if selected sponsors and sites were in compliance with program requirements.

The SFSP provides nutritious meals for children in low-income areas when school is not in session. The California Department of Education (the State agency) reimburses sponsors for serving SFSP meals. In California during fiscal year (FY) 2016, SFSP provided more than $20.5 million to serve approximately 8.5 million meals and snacks to needy children at more than 2,600 sites.

During OIG's review of five California SFSP sponsors, OIG found that the State agency did not adequately assess sponsor eligibility or monitor sponsor compliance with program requirements. OIG found that two of the five sponsors were potentially ineligible to participate in SFSP. OIG also identified nine noncompliance issues for the five sponsors OIG reviewed, including the purchase of cars with SFSP funds. This occurred because the State agency lacked key SFSP application and review procedures that would help identify sponsor noncompliance. Also, OIG found that sponsors did not ensure their sites complied with regulatory or outreach requirements. Specifically, sites improperly counted 119 meals for reimbursement on the day of OIG's site visits. Further, 10 of 13 SFSP meal sites OIG visited improperly restricted public access, posted public notices that appeared to limit SFSP participation, and did not display the required nondiscrimination posters. This occurred because SFSP sponsors either lacked sufficient outreach oversight or issued unclear public notices.

As a result of OIG's findings, critical SFSP resources to support nutritious meals for children from low-income California households and/or areas could not be used as intended. The Food and Nutrition Service (FNS) generally agreed with OIG's recommendations and OIG accepted management decision on each of the 29 recommendations.

OIG recommended that FNS direct the State agency to develop and implement application and administrative review procedures to identify and address sponsor noncompliance, confirm and recover unallowable costs, and direct identified sponsors to provide additional training and monitoring to their sites.

COVID-19—Oversight of the Emergency Food Assistance Program—
Interim Report
Audit Report 27801-0001-21
August 24, 2021

OIG is conducting an inspection of FNS' Emergency Food Assistance Program (TEFAP) and will be issuing separate reports after each objective is completed. One of the four objectives was to determine what risks FNS identified related to the safe and efficient distribution of USDA food assistance provided to States during the coronavirus disease 2019 (COVID-19) pandemic. Specifically: (a) did FNS accept any risk related to the safe distribution of food assistance without implementing an offsetting internal control; and (b) what controls did FNS establish to manage risks it did not accept?

TEFAP is a USDA program that provides supplemental food assistance to persons in need. TEFAP provides Federally purchased commodities (USDA-foods) to States and territories to distribute to recipient agencies serving low-income households and individuals. TEFAP also provides administrative funds to cover States' and recipient agencies' costs associated with the processing, storage, and distribution of USDA-foods and foods provided through private donations.

OIG concluded that FNS did not formally evaluate what impact the COVID-19 pandemic could have on the safe and efficient distribution of food assistance to States. This occurred because FNS had not established a formal enterprise risk management process to continuously identify and assess risks related to TEFAP program operations, including changing conditions that could impact the integrity of the program. Without a formal risk management process for TEFAP, there is no assurance that FNS periodically reviews and documents its response to the impact of changing conditions on the safe and effective distribution of food assistance to States. In fiscal year 2020, the Families First Coronavirus Response and Coronavirus Aid, Relief, and Economic Security Acts increased TEFAP funding by $850 million, with funding totaling more than $1.2 billion, thus increasing the potential risk that food assistance may not go to those in need.

FNS agreed with OIG's finding and recommendations, and OIG accepted management decision on both recommendations.

COVID-19—Supplemental Nutrition Assistance Program Online
Purchasing in Response to the Coronavirus Disease 2019
Audit Report 27801-0003-22
August 25, 2021

OIG's objectives were to address the following questions: (1) what criteria did FNS use to approve States and retail food stores to accept SNAP benefits through

online transactions during COVID19; (2) what risks has FNS identified during the transition to allow SNAP benefits online; and (3) what controls does FNS have to ensure retail food stores meet online transaction program requirements?
In 2014, the USDA FNS initiated a Supplemental Nutrition Assistance Program (SNAP) Online Purchasing Pilot (pilot), which would allow households to make online purchases using SNAP benefits. The pilot requires online transactions to be secure, private, easy to use, and provide similar support to that found for SNAP transactions in a retail store. In response to the COVID-19 pandemic, FNS expanded the pilot from 6 States in March 2020 to 46 States by the end of December 2020. Between March and December 2020, the total value of online SNAP purchase transactions increased from more than $18.9 million to more than $1.5 billion cumulatively.

OIG found that FNS used the same approval criteria it used for the original pilot selections when adding additional States and retailers. OIG also identified that FNS has not updated its risk assessment of the SNAP Online Purchasing Pilot since creating the pilot in 2014. Without updating its risk assessment to assess new risks in the rapidly evolving e-commerce market, the pilot could be susceptible to fraud and abuse—particularly as FNS rapidly expanded the pilot between March and December 2020.

Finally, although OIG found FNS had established criteria and program requirements for retailers to be eligible to participate in the pilot, FNS did not establish controls to effectively monitor, evaluate, or document how participating retailers protect SNAP participants' online personal information. Instead, the agency relied on retailers' assurance and attestation that online retailers will protect the privacy of SNAP participants' information. In order to proactively ensure that SNAP participants' personal information is not compromised, sold, shared, or given to any third party without authorization, FNS needs to better monitor, evaluate, and document retailers' compliance with safeguarding participants' personal information.

FNS generally concurred with OIG's findings and recommendations, and OIG accepted management decision on all recommendations.