Statement by
Phyllis K. Fong
USDA Inspector General
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Introduction

Good morning, Chairman Harris, Ranking Member Bishop, and Members of the Subcommittee. Thank you for the opportunity to testify about the Office of Inspector General's (OIG) fiscal year (FY) 2022 oversight results and our plans for FY 2023. OIG's mission is to promote economy, efficiency, effectiveness, and integrity in the delivery of U.S. Department of Agriculture's (USDA) programs. We accomplish our mission through audits, investigations, inspections, data analytics, and reviews. Our work advances the value, safety and security, and integrity of USDA programs and operations.

Over the last 3 fiscal years (2020, 2021, 2022), there has been a substantial influx of USDA program and operational funds to address the coronavirus disease 2019 (COVID-19) response and recovery, and initiatives under the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA). In addition to USDA's more than $250 billion in annual appropriations, the Department received approximately $77.5 billion for pandemic response and recovery activities, over $8.3 billion for infrastructure investments, and $44 billion for inflation reduction activities. Over the same period, OIG's annual appropriation has averaged approximately $101.4 million with critical incremental increases from the Subcommittee each year. OIG also received supplemental funding of $3.2 million for oversight of COVID-19 response and recovery, and $27.1 million to provide oversight specific to Forest Service (FS) programs funded in IIJA. We thank the Subcommittee for the significant increase in FY 2023 OIG appropriations and recognize that $1.5 million is for oversight of USDA IIJA programs such as broadband loans and grants, watershed and flood prevention operations, and a new bioproduct pilot program using agricultural commodities.

Our work is grounded by our three mission goals articulated in our *Five-Year Strategic Mission and Diversity and Inclusion Plan—Fiscal Years 2020–2024*: Goal 1 - Strengthen USDA's ability to protect public health and safety and to secure agricultural and Department resources; Goal 2 - Strengthen USDA's ability to deliver program assistance with integrity and effectiveness; and Goal 3 - Strengthen USDA's ability to achieve results-oriented performance. We use a risk-based approach to plan our oversight activities of the expansive USDA portfolio and prioritize our resources, within our budgetary authority. Our program risk assessments consider various data points including program funding levels, substantial increases in program funding, whether a program is new or is significantly changed, risk indicators identified in previous audits or investigations, and other information including Congressional interest. We also include 7-10 annual statutory audits, depending on the frequency required by law, in our planning. Our FY 2023 Annual Plan also includes an enhanced data-driven approach to FS programs funded within IIJA due to the supplemental funding OIG received for IIJA oversight.

In FY 2022, our oversight work resulted in monetary results totaling over $487.4 million. We published 32 audit and inspection reports and made 115 recommendations to strengthen and improve USDA programs and operations. Our audit work during this period identified $388.2 million in questioned costs and funds that could be put to better use. Our investigative work during the same period led to 240 convictions, with monetary results totaling approximately $99.2 million. In addition, we issued 3 data analytics products and leveraged advanced analytics techniques in 54 of our audits and investigations.

My statement will highlight, by strategic goal, our FY 2022 achievements and our FY 2023 plans that cover USDA programs and operations associated with appropriated funding, COVID-19 funding, and initiatives under IIJA and IRA.

Strategic Goal 1—Safety, Security, and Public Health

Within this strategic goal, OIG's oversight work focuses on security and management of the Department's information technology (IT) resources, efforts to ensure that the Department is effectively protecting consumers and the Nation's agricultural resources, and activities impacting animal and plant health and welfare. The following are highlighted FY 2022 achievements as well as FY 2023 plans within this goal:

- As required by the Federal Information Security Modernization Act, OIG conducted its FY 2022 review of USDA's ongoing efforts to improve its IT security programs and practices. We found that USDA continues to take positive steps to improve its IT security posture, but many weaknesses remain. The Office of Management and Budget (OMB) establishes standards for an effective level of security and considers "Managed and Measurable" to be 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 level of security. The Office of the Chief Information Officer (OCIO) generally concurred with our recommendations, and we reached agreement on the planned corrective actions to address them.

- OIG conducted an audit of the Animal and Plant Health Inspection Service's (APHIS) Plant Pest and Disease Management and Disaster Prevention Program (PPDM). The program funds projects to strengthen APHIS' efforts to prevent, detect, and mitigate invasive plant pests and diseases. OIG determined that APHIS could not provide an accurate record of the total number of PPDM projects awarded in FYs 2018 and 2019 and their respective funding amounts. As a result, APHIS cannot provide reasonable assurance that it effectively monitored more than $123.4 million in PPDM funding for FYs 2018 and 2019. We reached agreement on all four recommendations in the report.
- OIG initiated an investigation, based on allegations referred by the Food Safety and Inspection Service (FSIS), that a New York seafood importer smuggled various catfish products into the U.S. from prohibited countries. The Federal Meat Inspection Act requires inspection of fish of the order Siluriformes (including species commonly referred to as "catfish") by USDA's FSIS. This investigation revealed shipping containers with uninspected Siluriformes from prohibited countries hidden in incorrectly marked packages and not manifested on shipping documents. The site inspections conducted at the importer's warehouse revealed Siluriformes from two prohibited countries. Four principals of the seafood importer were sentenced for their roles in a smuggling conspiracy. One principal was sentenced to 36 months of probation and ordered to pay a $25,000 fine. The other three principals were each sentenced to 24 months of probation and ordered to pay a $5,000 fine. This was a joint investigation with the National Oceanic and Atmospheric Administration Fisheries, Office of Law Enforcement and the Department of Homeland Security (DHS) Immigration and Customs Enforcement (ICE)/Homeland Security Information (HSI).
- An individual in California was sentenced to 16 months in prison and 24 months of supervised release for conspiring to violate the Animal Fighting Prohibitions of the Animal Welfare Act. The individual was also ordered to pay a $25,000 fine for conspiring to sell, buy, possess, train, transport, deliver, and receive game fowl intended to be used in animal fighting ventures. The investigation revealed physical alterations and/or modifications performed on the game fowl, which were done to enhance their fighting abilities. Additional evidence was recovered, including cockfighting paraphernalia, live game fowl, medicines used to enhance the fighting abilities of the game fowl, various journals and ledgers, and approximately $8,000 in cash. In total, OIG seized 367 game fowl roosters, while the remaining game fowl, including 334 hens, were donated to an animal sanctuary. This case was jointly investigated with APHIS; Internal Revenue Service-Criminal Investigation; ICE/HSI; FS; and a California sheriff's office.

During FY 2023, we plan to complete work on security testing of a select USDA network, security over USDA mobile applications, and an inspection of APHIS Wildlife Services' role in administering the Mexican Wolf Recovery Program. We will also continue to investigate allegations of threats related to the safety and integrity of the U.S. food supply, employee safety, and animal cruelty.

Strategic Goal 2—Integrity of Benefits

Our oversight focus within this goal includes assessing internal controls and identifying risk indicators that support both OIG's and USDA's ability to detect and prevent program abuse and criminal activity. OIG conducts a wide range of activities specific to this goal related to grant and contract management, integrity of various benefit and entitlement programs that provide payments directly or indirectly to individuals and/or entities, and spending transparency. The following are highlighted FY 2022 achievements as well as FY 2023 plans within this goal:

- We completed an audit of the Food and Nutrition Service's (FNS) Supplemental Nutrition Assistance Program (SNAP) waiver process. Certain statutes and program regulations provide FNS with the authority to waive SNAP rules under specified circumstances. Our review found that the divisions responsible for issuing waivers did not consistently document policies and procedures, and did not meet Departmental recordkeeping requirements. According to FNS officials, this occurred because some waivers were too unique for standardized, documented policies and procedures to be effective, and procedures that were not formally documented were communicated to personnel through meetings or emails. As a result, there is reduced assurance that approved waivers meet regulatory and statutory requirements. FNS agreed with our recommendations and we reached agreement on both recommendations.
- We completed an inspection of COVID-19 The Emergency Food Assistance Program (TEFAP). We determined what TEFAP flexibilities FNS made available to the States during the pandemic and what FNS did to ensure States and Eligible Recipient Agencies (ERA) complied with administrative fund requirements. We concluded that State agencies made 107 requests to FNS for flexibilities to provide food to people in need during the pandemic. However, in 6 of 107 instances, State agencies did not request flexibilities in writing, as required by Federal regulation. For 14 of 107 requests, FNS regional office personnel did not ensure they provided written approval of the State agencies' requests prior to implementation, as directed by the FNS national office. Additionally, FNS approved a State agency's request to implement an unallowable flexibility. Finally, we found that the management evaluation (ME) reviewers did not support their determinations of State agency and ERA compliance or non-

compliance with Federal and FNS program requirements in their work papers. FNS national office personnel could not identify a specific reason why the ME reviewers did not adhere to the ME review guidance documentation requirements to support their determinations. FNS agreed with our recommendations, and we reached agreement on the planned corrective actions to address them.

- USDA's Agricultural Marketing Service (AMS) administers programs that create domestic and international marketing opportunities for U.S. producers of food, fiber, and specialty crops. In response to the COVID-19 pandemic, AMS established the Farmers to Families Food Box Program to provide food to non-profits through regional and local distributors. In May 2020, AMS announced awards for the first round of purchases— totaling up to $1.2 billion—for the period of performance May 15, 2020, through June 30, 2020 (Round 1). We found that AMS designed the solicitation for the Food Box Program according to the requirements of the Federal Acquisition Regulations and Departmental guidance. Additionally, we found that AMS substantially adhered to the funding allocation decisions described in the solicitation. Finally, while AMS established a panel to evaluate the Food Box Program proposals, we found that the agency did not always award Round 1 contracts in accordance with the specified requirements of the solicitation. AMS agreed with our recommendations, and we reached agreement on the planned corrective actions to address them.
- To enhance spending transparency of significant USDA programs, we issued data analytics and visualization products related to COVID-19 response and recovery. These products combine various data sources and provide stakeholders with an interactive approach to examine program data and impact. The products included a COVID-19 spending dashboard as well as data stories covering the Farmers to Families Food Box Program and the Coronavirus Food Assistance Program.
- In July 2018 and May 2019, the Secretary of USDA announced a trade mitigation package of up to $12 billion and $16 billion, respectively, to assist producers impacted by increased tariffs. As part of the trade mitigation packages, the Farm Service Agency (FSA) administered the Market Facilitation Program (MFP), a direct payment, temporary assistance program for producers of covered agricultural commodities. We did not identify any issues regarding producer eligibility and certifications, except for issues with certified production and acreage amounts that affected payment accuracy. During our review of 100 randomly sampled producers who received MFP payments, we found that producer records did not always fully support the amounts claimed on producer applications. We also found that, when performing a spot check of an MFP producer, an FSA county official did not accurately

apply updated agency guidance on acceptable forms of production evidence. FSA agreed with our recommendations, and we reached agreement on the planned corrective actions to address them.

- We audited the Agricultural Trade Promotion Program (ATP), which was a temporary, competitive grant program administered by the Foreign Agricultural Service (FAS) and designed to aid in the development of agricultural commodities in foreign markets by providing financial assistance to eligible organizations for market promotion activities. OIG found that FAS awarded $300 million in ATP funding to applicants who may not have been the most meritorious based on the announced criteria and program regulations. Additionally, FAS did not maintain sufficient documentation about the reviews performed on applications and the selections made, which impaired our ability to fully evaluate those reviews and selections. The issues we identified in this audit were significant enough that we were unable to attest to the merits of the 59 ATP grants FAS awarded in FY 2019, totaling $300 million. FAS agreed with our recommendations, and we reached agreement on the planned corrective actions to address them.
- A recent audit evaluated the Department's activities related to program coordination and measurement of performance for assistance provided to beginning farmers and followed up on recommendations made in a prior report. Although the Department measured beginning farmer and rancher activities by tracking program funds expended, it did not establish outcome-based measures of performance. We also evaluated the effectiveness of the Department's activities related to program coordination and followed up on recommendations made in our prior audit report; we did not identify findings related to these aspects of our objectives. FSA agreed with our recommendation, and we reached agreement on the planned corrective action to address it.
- OIG initiated an investigation to determine if a market in Minnesota defrauded Government benefits programs, including SNAP and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). OIG determined that the storeowner and several employees exchanged SNAP and WIC benefits for cash, ineligible items, and store credit. Previously, the storeowner also fraudulently claimed U.S. Department of Labor (DOL) pandemic-related unemployment benefits while operating the store and redeeming SNAP and WIC benefits. The storeowner was sentenced to 30 months in prison and 36 months of supervised release for fraudulently obtaining benefits through multiple Government programs and was ordered to pay more than $4 million in restitution and to forfeit more than $38,000 in cash and proceeds seized during the investigation. This case was investigated jointly

with the Federal Bureau of Investigation, the DOL OIG, the Minnesota WIC Compliance Office, and the State of Minnesota Department of Human Services OIG.

- A case, jointly investigated with the General Services Administration OIG and Department of Defense's Criminal Investigative Service, resulted in a New Jersey company agreeing to pay more than $7.6 million under a consent judgment in conjunction with its role in a contract fraud scheme. Additionally, the United States entered into a separate settlement agreement with two business owners and a second related business under which the first business owner agreed to pay $120,000, the second business owner agreed to pay $75,000, and the related company would pay $180,000 to resolve claims alleging that they made, or caused to be made, false statements concerning the New Jersey company's status as a service-disabled, veteran-owned small business (SDVOSB). The business owners of a New Jersey company fraudulently represented a related company as an SDVOSB and used the status to obtain set-aside contracts from both USDA and the Defense Logistics Agency, the Department of Defense's combat support agency. The New Jersey company was awarded a total of nine contracts to provide protective clothing (aprons) to USDA's FSIS. These nine contracts were valued at approximately $268,000. Overall, the owners defrauded the Federal Government by making false claims and obtaining contracts totaling more than $16.5 million.
- OIG initiated an investigation, which revealed that a Minnesota producer submitted false statements to obtain loans from FSA and the Commodity Credit Corporation (CCC), converted collateral pledged to FSA and CCC, and committed bank fraud by submitting false statements to various financial institutions. The producer pled guilty to one count of conversion of CCC collateral and was sentenced to 12 months in prison and 36 months of supervised release. The producer was also ordered to pay $435,517 in restitution and was permanently debarred from USDA farm programs. Additionally, subsequent to an agreement with the producer, all of the property and proceeds in which USDA had a security interest were forfeited through abandonment and auctioned.
- To assist the Department with implementation plans for IRA-funded programs, we issued analyses of the results of our prior work related to the National Resources Conservation Service (NRCS), FS, FSA, and Rural Development.

During FY 2023, we plan to complete work on the status of FAS' controls over the Market Access Program and the McGovern-Dole Food for Education Program funding. In terms of IIJA oversight, we plan to evaluate whether the review we are completing of the Rural Utility Service's Rural E-Connectivity Pilot Program—Award Process has implications for the control environment established for IIJA broadband funding. In addition, we plan to publish IIJA-related data products similar to those developed for COVID-19 initiatives. IRA oversight plans include completing work related to NRCS' Environmental Incentives Quality Program's cost estimation process. We also plan to evaluate whether the review we are completing of the Conservation Stewardship Program participant control of land has implications for the control environment established for IRA funding. Finally, we will continue to investigate allegations related to the integrity of USDA programs and are implementing a proactive strategy to investigate allegations of contract fraud and other instances of potential fraud related to IIJA programs.

Strategic Goal 3—Management Improvement Initiatives

In order to strengthen USDA's ability to achieve results-oriented performance, we focus our oversight activities on financial management, accountability, outreach activities, employee misconduct, and criminal misuse of agency IT resources. The following are highlighted FY 2022 oversight achievements as well as FY 2023 plans within this goal:

- OIG conducted an inspection to evaluate the Economic Research Service (ERS) Data Product Review Council's (DPRC) review process for data products to ensure their adherence to the six OMB quality standards. OIG found that ERS had not performed any DPRC reviews since July 2019. An ERS official stated that this occurred because ERS did not have the staff available to perform DPRC reviews when the agency experienced a loss of approximately 75 percent of its personnel after USDA announced that it would relocate ERS' daily operations to Kansas City, Missouri. Meanwhile, ERS did not have a compensating control for the lack of DPRC reviews. ERS agreed with our recommendations, and we reached agreement on the planned corrective actions to address them.
- We found that USDA was not compliant with four of the six Payment Integrity and Information Act of 2019 (PIIA) requirements for FY 2021. Five of the 17 high-risk programs reported did not fully comply with PIIA requirements. We also found that USDA did not meet a fourth PIIA compliance requirement when the Department did not timely report the Risk Management Agency's Federal Crop Insurance Corporation as a high-risk program on paymentaccuracy.gov. Finally, USDA reported improper payment information for FY 2021 that contained inaccuracies or that the Department could not support with appropriate documentation. We also questioned whether USDA complied with OMB criteria for improper payment reporting. USDA agencies agreed with our recommendations, and we reached agreement on the planned corrective actions to address them.
- The purpose of the Geospatial Data Act (GDA) is to minimize duplication of geospatial activities across agencies and improve collaboration, reduce waste, codify previous executive actions, and give

Congress an oversight role for the Federal Government's multibillion-dollar investments in geospatial data. USDA is 1 of 16 covered agencies under the GDA. Although we recognize that USDA has made progress toward complying with certain aspects of the GDA, we found that it was not compliant with 6 of the 13 covered agency responsibilities. Additionally, we determined that the designated oversight entity, Enterprise Geospatial Management Office, did not have an accurate inventory of geospatial assets. Without consistency, USDA is not completely fulfilling its role of improving Federal management, coordination, and utilization of geospatial data, which can negatively impact mission-critical business requirements of the Department's infrastructure and emergency response capabilities nationwide. OCIO agreed with our recommendations, and we reached agreement on the planned corrective actions to address them.

- OIG initiated an investigation to determine whether an FSIS employee applied for and received Pennsylvania Pandemic Unemployment Assistance while being gainfully employed as an FSIS Consumer Safety Inspector. The investigation determined the FSIS employee falsely claimed to be unemployed due to the pandemic or a major disaster and received benefits based on this false claim for about 1 year. The FSIS employee reaffirmed this unemployment status on a weekly basis and ultimately received $37,555 in fraudulently obtained unemployment benefits. The FSIS employee ultimately resigned, pled guilty to a criminal information charging the employee with wire fraud, was sentenced to 10 months in prison and 24 months of supervised release, and ordered to pay $37,555 restitution. This was a joint investigation with DOL OIG.

During FY 2023, we plan to complete work on the National Institute of Food and Agriculture's Agriculture and Food Research Initiative, the Apiculture Insurance Program, and required statutory audits of USDA financial statements. We will continue to address allegations of senior management misconduct, whistleblower reprisal complaints, and criminal use of USDA assets. Finally, as part of our oversight of FS IIJA activities, we will focus on: grants to at-risk communities to develop or revise community wildfire protection plans and to carry out eligible projects; hazardous fuels management activities; native vegetation restoration and environmental hazards on mined lands mitigation; aquatic-focused landscape scale restoration; legacy road and trail remediation; and wildland firefighter salaries and training. These program areas collectively represent about 46 percent of FS' IIJA funding.

Conclusion

In closing, we would like to thank the Members of the Subcommittee for your continued interest in our work. Your support enables OIG to perform effective oversight to strengthen USDA's programs and operations for the benefit of all Americans.

For FYs 2018–2022, OIG's annual appropriations totaled approximately $500.8 million. During this period, the potential dollar impact of OIG's audits and investigations was $4.4 billion, resulting in cost savings and recoveries of about $8.78 for every dollar invested. During this same period, OIG made 842 audit recommendations to improve USDA programs, and OIG investigations resulted in 1,805 successful convictions.

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