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USDA, Office of Inspector General  
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UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



NOV 19 2014

Subject: Log No. 14-00101

This letter responds to your June 1, 2014, Freedom of Information Act (FOIA)<sup>1</sup> request to the Department of Agriculture's (USDA) Office of Inspector General (OIG). You requested copies of the OIG Weekly Activity Reports from January 1, 2011 to the present.

We are releasing 495 pages of responsive records. Pursuant to FOIA, certain information has been redacted as it is exempt from release. Specifically, in accordance with 5 U.S.C. § 552(b)(6), the signatures, initials, and other identifying information of individuals were withheld because release of this information could reasonably be expected to constitute an unwarranted invasion of personal privacy. Content pertaining to deliberative processes was withheld pursuant to 5 U.S.C. § 552(b)(5). In addition, information that could disclose guidelines for law enforcement procedures and could reasonably be expected to pose a risk of circumvention of law was redacted pursuant to 5 U.S.C. § 552(b)(7)(E).

You have the right to appeal the decision by OIG to withhold information by writing to the Inspector General, U.S. Department of Agriculture, 1400 Independence Avenue SW., Whitten Building, Suite 441-E, Washington DC 20250-2308. Your appeal must be received within 45 days of the date of this letter. The outside of the envelope should be clearly marked "FOIA APPEAL."

For your information, Congress excluded three discrete categories of law enforcement and national security records from the requirements of the FOIA. *See* 5 U.S.C. 552(c) (2006 & Supp. IV 2010). This response is limited to those records that are subject to the requirements of the FOIA. This is a standard notification that is given to all our requesters and should not be taken as an indication that excluded records do, or do not, exist.

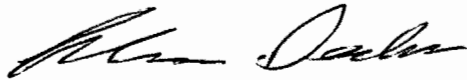
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<sup>1</sup> 5 U.S.C. § 552.

Page 2

For information about OIG, please refer to our Web site at [www.oig.usda.gov](http://www.oig.usda.gov). Should you have any questions or need additional information, please feel free to contact our office at (202) 720-5677.

Sincerely,

A handwritten signature in black ink, appearing to read "Alison Decker". The signature is fluid and cursive, with the first name "Alison" written in a larger, more prominent script than the last name "Decker".

Alison Decker  
Assistant Counsel

Enclosures: Documents/Exemptions list

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, January 3, 2011**

...../signed/.....

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Press Announcements**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

Other Items of Interest

**Audits**

**Rural Development  
Rural Business-Cooperative Service  
Review of Lender with Business and Industry Guaranteed Loans  
Audit No. 34099-8-Te  
Issued December 27, 2010**

At the request of the Rural Business-Cooperative Service's (RBS) national office, the Office of Inspector General initiated audits to review loans within the Department of Agriculture's Business and Industry guaranteed loan portfolio of one of its lenders. This report presents an



(b)(5)

**Forest Service**  
**The Recovery Act—Forest Service Roads, Bridges, and Related Watershed Projects**  
**Audit No. 08703-03-SF (2)**  
**Issued December 8, 2010**

The Recovery Act funded \$650 million for the Forest Service's (FS) Capital Improvement and Maintenance Program, of which \$271 million was approved for road maintenance and decommissioning, related bridge maintenance and decommissioning, and related watershed restoration and ecosystem enhancement. FS established four Economic Recovery Operation Centers (EROCs) across the nation to execute and manage the contracts, grants, and agreements funded under the Recovery Act. Federal regulations require the posting of notices for pre-award and post-award contract actions on the Federal Business Opportunities (FedBizOpps) website: (1) pre-solicitation notices for new contracts and for task orders on existing contracts and (2) pre-award modification notices for existing contracts. Of the 44 contracts we reviewed, 32 required FedBizOpps postings.

Of these 32 contracts, we found that 8 task orders and 4 modification notices were not posted to FedBizOpps, as required by the Federal Acquisition Regulation, which represented over \$2.4 million that FS awarded without the required postings on the FedBizOpps website. This occurred because the responsible FS contracting officers were not aware of the posting requirement or believed the postings were not required. On November 24, 2009, we reported that FS did not publicize pre-solicitation notices on the FedBizOpps website for six task orders and recommended that FS should "immediately notify all contracting officers concerning OMB guidance once it is issued." FS responded on December 23, 2009, stating that the task orders were issued before the OMB guidance was published and that FS had taken corrective actions on this issue. However, as discussed above, when we interviewed contracting officers in May 2010, some continued to be unaware of the posting requirements.

We recommended that FS: (1) issue written guidance to remind all contracting officers to publicize pre-solicitation notices for task orders on the FedBizOpps website and (2) issue written guidance to remind all contracting officers to publicize pre-award modification notices for existing contracts on the FedBizOpps website.

We received agency response on December 21, 2010. FS concurred with the first recommendation and provided its most recent revised guidance for pre and post award postings. For the second recommendation, FS disagreed with some of the contract (modifications) that we identified, but added that a reminder to publicize pre-award modification notices would be issued to all contracting officers by January 31, 2011.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Tuesday, January 18, 2011**

... /signed/

## Reform Based Actions

Nothing to report.

### Expected Media

Nothing to Report.

## Outreach and Results

Nothing to report.

### Expected Legislative or Policy Issues

Nothing to report.

## Potential or Expected Legal Issues

Nothing to report.

### Events - Travel /Speeches of Agency Executives

Deputy Secretary Merrigan.

### Under Secretaries and Administrators

Nothing to report.

## Personnel Announcements

Nothing to report.

## Other Items of Interest

## Law Enforcement

**Animal and Plant Health Inspection Service (APHIS)**

(b)(5)

*Food and Nutrition Service (FNS)*

(b)(5)

*Risk Management Agency (RMA)*

(b)(5)

**Audits**

**Rural Development  
Guaranteed Single Family Housing Loans Made by Lenders to Ineligible Borrowers  
Audit No. 04703-0002-Ch (1)  
Issued January 5, 2011**

The American Recovery and Reinvestment Act of 2009 (Recovery Act) included over \$10 billion in funds to guarantee single family housing loans in rural areas. The Rural Housing Service, an agency within the Rural Development mission area, was responsible for distributing Recovery Act funds through the Section 502 Single Family Housing Guaranteed Loan Program. Our role, as mandated by the Recovery Act, was to evaluate agency activities and to ensure that funds were used in accordance with the underlying legislation and Federal regulations. This audit focused on compliance with eligibility requirements during the loan origination process.

Our preliminary analysis of 100 loans identified 28 loans where lenders had not fully complied with Federal regulations or Recovery Act directives in determining borrower eligibility. Based on the sample results, we estimate that 27,206 loans (over 33 percent of the portfolio) may be ineligible, with a projected total value of \$4 billion.

Although Rural Development officials agreed that about 10 of the 28 loans we questioned may be ineligible, and have agreed to take some corrective actions to address the internal controls that allowed

this to occur, they disagreed on the majority of the 28 guaranteed loans where we questioned the borrowers' eligibility. We continue to work with Rural Development to address these concerns.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, January 24, 2011**

*/signed/*

### Reform Based Actions

Nothing to report.

### Expected Media

Nothing to Report.

## Outreach and Results

Nothing to report.

### Expected Legislative or Policy Issues

Nothing to report.

### Potential or Expected Legal Issues.

Nothing to report.

### Events - Travel /Speeches of Agency Executives

Deputy Secretary Merrigan

### Under Secretaries and Administrators

Nothing to report.

## Personnel Announcements

Nothing to report.

## Other Items of Interest

## Law Enforcement

***Food and Nutrition Service.***

(b)(5)

(b)(5)



*Risk Management Agency*

(b)(5)



**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, January 31, 2011**

*/signed/*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

*Foreign Agricultural Service (FAS)*

(b)(5)

*Food and Nutrition Service (FNS)*

(b)(5)



(b)(5)

***Farm Service Agency (FSA)***

(b)(5)

***Natural Resources Conservation Service (NRCS)***

(b)(5)

**AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)**

**Investigative Activities**

None to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, February 7, 2011**

*/s/ signed*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Preparations are being made in response to an invitation received on February 4, 2011, from the House Committee on Energy and Commerce inviting Inspector General Phyllis Fong to testify on Thursday, February 10, 2011, at the Subcommittee on Communications and Technology hearing entitled "ARRA Broadband Spending."

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

*Animal and Plant Health Inspection Service (APHIS)*

(b)(5)



(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)

**Risk Management Agency (RMA)**

(b)(5)

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ David R. Gray/ for*

**Monday, February 14, 2011**

**Reform Based Actions**  
Nothing to report.

**Expected Media**  
Nothing to Report.

**Outreach and Results**  
Nothing to report.

**Expected Legislative or Policy Issues**  
Nothing to report.

**Potential or Expected Legal Issues**  
Nothing to report.

**Events - Travel /Speeches of Agency Executives**  
Deputy Secretary Merrigan

Under Secretaries and Administrators  
Nothing to report.

**Personnel Announcements**  
Nothing to report.

**Other Items of Interest**  
Law Enforcement

Farm Service Agency (FSA)

(b)(5)



**Food and Nutrition Service**

(b)(5)

**Forest Service (FS)**

(b)(5)

**Risk Management Agency (RMA)**

(b)(5)

## Audits

**Rural Development  
Controls Over Rural Housing Service Disaster Assistance Payments  
Audit No. 04601-0019-Ch  
Issued February 7, 2011**

We conducted this audit to assess the Rural Housing Service's (RHS) internal controls and processes for ensuring the accountability of housing funds designated for disaster assistance. This included corrective actions RHS implemented in response to two prior audits that assessed disaster assistance provided through its Single Family Housing (SFH) and Rural Rental Housing Programs to victims of Hurricanes Katrina and Rita.

We found that Rural Development field staff may have continued to distribute disaster assistance in the SFH Program in the form of loans and grants to recipients even though some of those recipients possibly received proceeds from other private sources, such as insurance companies, to repair damage caused by the disaster. Also, we found that RHS officials did not correct program deficiencies that we identified from our prior audits. Overall, we found that the agency did not fully implement the corrective actions, as they agreed to, for 9 of 24 audit recommendations from our prior two audits.

In its December 15, 2010, response to the official draft report, RHS officials agreed with all of the report's recommendations for corrective action.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Tuesday, February 22, 2011**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

(b)(5)

Rural Utilities Service (RUS)

(b)(5)

**AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)**

Investigative Activities

On February 15, 2011, an Investigations representative gave a presentation on Office of Inspector General (OIG) and Department of Agriculture programs, including ARRA funding issues, at an OIG-hosted External Bank Fraud meeting in New York City. Approximately 40 people attended from various Federal, State and local law enforcement agencies, as well as participants from the private sector.

On February 16, 2011, an Investigations representative gave a fraud awareness presentation, which included ARRA concerns, to the North Carolina Department of Health and Human Services.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, February 28, 2011**

*/signed/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service (FNS)**

(b)(5)



Audits

**Food Safety and Inspection Service (FSIS)  
Sampling Protocol for Testing Beef Trim for *E.coli* O157:H7 – Phase I  
Audit Report No. 24601-09-KC  
Issued: February 24, 2011**

An audit was performed to respond to the Chairwoman of the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, who expressed concerns about the testing FSIS performs to detect *Escherichia coli* (*E. coli*) O157:H7 in U.S. beef “trim.” A recent outbreak of *E. coli* O157:H7 contamination had resulted in at least two deaths and illnesses in 11 States. This report presents results of our review of FSIS’ N-60 sampling method for beef trim, our answers to the Congresswoman’s questions, and followup observations pertaining to our 2008 memorandum related to *E. coli* O157:H7 testing.

We found that FSIS’ N-60 sampling program is not adequately designed to yield the statistical precision reasonable for food safety purposes or to verify that a plant’s interventions and process controls work as intended. FSIS’ sampling dilemma is that, given the likely low occurrence of *E. coli* O157:H7 in U.S. beef trim, FSIS must collect more than 60 pieces before it can attain the precision reasonable for food safety purposes...

FSIS has not determined the (prevalence) rate at which *E. coli* O157:H7 can be found in beef trim, even though an adequate sampling method should begin with this information. FSIS should determine how often the prevalence rate should be reassessed. FSIS has not evaluated or justified the contamination level for *E. coli* O157:H7 associated with its N-60 sample size and confidence level (essentially, the amount of contaminated trim that might slip through N-60 without being detected). In other words, if the contamination level is very low, FSIS is more likely to miss contamination than detect it.

FSIS needs to reevaluate its N-60 sampling program to provide the American public with confidence that FSIS tests accurately identify *E. coli* O157:H7, to detect an establishment’s failure to execute interventions or process controls and prevent the distribution and consumption of *E. coli* O157:H7-contaminated meat. FSIS agreed with the findings and recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)**

**Investigative Activities**

(b)(5)



**Audit Activities**

(b)(5)



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, March 7, 2011**

*/s/ David R. Gray for*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

On March 2, 2011, the Inspector General (IG) testified before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration and Related Agencies, Committee on Appropriations, U.S. House of Representatives on the Office of Inspector General's (OIG) Fiscal Year (FY) 2010 Budget Request. The Inspector General also provided a summary of the most important OIG audit and investigative work performed in FYs 2010 and 2011 to date.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service (FNS)

(b)(5)

(b)(5)

Natural Resources Conservation Service (NRCS)

(b)(5)

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ David R. Gray for*

**Monday, March 14, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

On Thursday, March 10, 2011, Inspector General Phyllis K. Fong, testified at an oversight hearing before the House Appropriations Subcommittee on Interior, Environment, and related Agencies to discuss major management challenges at the Forest Service.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

(b)(5)



**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
**/s/ Phyllis K. Fong**

**Monday, March 21, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report.

**Investigative Activities**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

**Forest Service (FS) Hazardous Fuels Reduction and Ecosystem Restoration on  
Non-Federal Lands (3) (08703-5-SF, issuance date February 24, 2011)**

The Recovery Act included \$200 million for FS to implement Wildland Fire Management (WFM) activities such as hazardous fuels reduction, forest health, and ecosystem improvements on State, county, and private lands. FS used grants to award these funds to State, local and tribal governments, and non-profit organizations whose proposed projects meet the Recovery Act's selection criteria. The \$200 million was allocated to complete 152 different projects while each project could include more than one grant. Eighteen of the non-Federal WFM projects, valued at \$54 million (27 percent of the \$200 million),



were approved for "statewide work." We reviewed 6 of the 18 statewide non-Federal WFM Recovery Act-funded projects, consisting of 10 grants valued at \$29 million to determine whether the States ultimately selected project work that met Recovery Act eligibility requirements. Our review found that 3 of the 10 grants or relatively less than 25 percent of the \$3.2 million in Recovery Act funds awarded would be used in the most economically distressed counties with the greatest environmental risk. This occurred because FS had not considered the need to require that States also use a scoring system like the one it used to award the Recovery Act funds to the States. As a result, the States ultimately selected the location of the Recovery Act project work based primarily on natural resource needs, with little or no consideration for the economic conditions of their individual counties.

Our recommendations asked FS to identify those on-the-ground projects that have not yet started and issue further guidance to the States requiring that they either implement FS' selection process or a similar process they develop to ensure that Recovery Act funds go to projects that best meet Recovery Act objectives. In addition, we recommended that FS monitor the States' progress. FS generally agreed with our recommendations and plans to issue guidance to the States by March 31, 2011.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong** ...  
*/s/ David R. Gray for*

**Monday, March 28, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Nothing to report.

Investigative Activities

Nothing to report.

Audits

**USDA Payments for Citrus Canker Losses**

**Audit Number 50099-46-At**

**Issued March 23, 2011**

During 2001, the Animal and Plant Health Inspection Service (APHIS) implemented the Citrus Canker Loss Production Program and Citrus Canker Tree Replacement Program to compensate

eligible Florida commercial citrus growers for lost production and tree losses. Meanwhile, the Risk Management Agency (RMA) modified one of its insurance products—the Florida Fruit Tree Pilot Crop Insurance Program—so that growers could make claims for citrus canker tree losses. APHIS, through its two programs, made \$474 million in payments to growers. RMA, through its approved insurance providers, paid growers \$100.8 million for citrus canker tree losses. We initiated this audit to evaluate coordination and collaboration between APHIS and RMA on these programs and the agencies' management controls to ensure proper payments.

During our fieldwork, we discovered that APHIS did not report \$290.9 million in Citrus Canker Tree Replacement Program payments to the Internal Revenue Service (IRS) from fiscal years 2001 through 2007. We also found that APHIS did not coordinate with RMA to determine the amount of indemnity payments growers already received before APHIS calculated its payments. Federal regulations required APHIS to reduce its citrus canker loss production payments by the amount of any RMA tree payments growers received. Although we found no evidence of growers deliberately misrepresenting their information in our sample of 54 producers participating in both programs, we did find that they did not always provide correct information when they applied for the APHIS Citrus Canker Loss Production Program. This was largely due to their misunderstanding of how RMA payments were made. Due to the agency's reliance on grower-provided information that was sometimes incorrect, APHIS overpaid 15 of 54 citrus growers \$633,717 and underpaid 6 growers \$486,959—for a total of \$1.1 million in erroneous payments.

APHIS generally agreed with the recommendations based on APHIS' official written response, and we accepted management decision on three of the four recommendations.

**Calendar Year 2010 Executive Order 13520, Reducing Improper Payments,  
Accountable Official Report Review  
Audit Report 50024-2-FM  
Issued March 23, 2011**

This report represents the results of our review of the Department of Agriculture's (USDA) Accountable Official's Report on high-priority programs for improper payments. For fiscal year 2010, the Office of Management and Budget (OMB) identified the Food and Nutrition Service's Supplemental Nutrition Assistance Program (SNAP) and National School Lunch Program (NSLP) as high-priority programs. Our review disclosed that, in general, USDA included all elements required by Executive Order 13520, Reducing Improper Payments, in its report for SNAP and NSLP and made significant progress in reducing improper payments. However, we recommended that USDA continue to work with OMB to set reasonably aggressive reduction targets; document negotiations between USDA and OMB regarding reduction target determinations; and reassess NSLP's improper payment rate determination model to evaluate how precision can be determined and to modify the model, as necessary, in order to update annual rates associated with the results from its 5-year studies. USDA concurred with our recommendations and we have reached management decision.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, April 4, 2011**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

*Natural Resources Conservation Service (NRCS)*

(b)(5)



(b)(5)



*Risk Management Agency (RMA)*

(b)(5)



*Rural Housing Service (RHS)*

(b)(5)



(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

**Natural Resources Conservation Service  
Emergency Disaster Assistance:  
Emergency Watershed Protection Program Recovery  
Audit Report 10601-6-KC  
Issued: March 30, 2011**

In the wake of extensive flooding in the Midwest, hurricanes in the Gulf region, and ice storms in Kentucky during 2008 and 2009, NRCS received about \$490 million for the Emergency Watershed Protection (EWP) Program for post-disaster restoration and rehabilitation activities. The funds were used to restore water channels, remove debris, stabilize stream banks, and repair levees in the affected States. . . . .  
OIG initiated this audit to: (1) evaluate whether NRCS took sufficient corrective actions in response to our 2007 audit findings and recommendations related to disaster assistance; (2) assess the effectiveness of NRCS' program delivery; (3) evaluate management controls to prevent and minimize improper payments and fraud. The scope of this audit specifically excluded another component of the EWP Program that deals with land easements in flood plains.

OIG conducted this audit in conjunction with two reviews of the Farm Service Agency's Emergency Conservation Program, which also deals with post-disaster restoration and rehabilitation, i.e., recovery, activities. These three audits examined the respective agencies' relief efforts in the aftermath of the 2008-2009 natural disasters.

We reviewed six States that together received about \$207.2 million in EWP Program funds, or 45 percent of the total of \$461 million allocated to States for the EWP Program. Overall, we determined that NRCS successfully administered the recovery portion of the EWP Program in the aftermath of these natural disasters. NRCS used correct priorities when choosing projects to fund, and also successfully resolved other issues identified in our 2007 audit. However, we did note that the costs for technical services (i.e., project design and construction oversight) were reimbursed and accounted for inconsistently from one State NRCS office to another. We recommend that NRCS immediately implement corrective actions to resolve this issue. In its response, NRCS agreed with the findings and recommendations. We have accepted management decision on the two recommendations.

**Food Emergency Response Network  
Audit Report No. 24601-06-A1  
March 22, 2011**

We performed this audit to evaluate the implementation of the Food Emergency Response Network (FERN) and determine what progress the Food Safety and Inspection Service (FSIS) has made in meeting the laboratory network's objectives. As a result of a Homeland Security Presidential Directive, FSIS and the U.S. Food and Drug Administration (FDA) established FERN to integrate the nation's food testing laboratories into a network able to respond to emergencies involving biological, chemical, or radiological contamination of food. We found that, although FSIS has made progress in providing training and equipment and establishing standardized diagnostic protocols, the agency has not fully implemented FERN, and needs to take steps to formalize the program, ensure that the program's laboratory capacity is sufficient to respond to emergency surges, and improve FERN's readiness to prevent threats to the food supply through targeted food surveillance.

We concluded that FSIS needs to develop an updated charter and memorandum of understanding for how the two agencies are to work together to accomplish FERN's mission. FSIS needs to develop standard operating procedures for all of the network's critical functions. FSIS needs to formalize and implement the standard operating procedures when agreements are reached with FDA on these draft proposals. FSIS also needs to evaluate and rank laboratories not receiving Federal funding, in terms of their testing capability, capacity, reliability, and other factors relevant to FERN's effective operation. Finally, FSIS needs to institute a periodic testing program for providing occasional, targeted surveillance of the food supply, using FERN laboratories as a way of testing the readiness of the network for widespread emergencies. The agency agreed with our findings and recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/signed/ Phyllis K. Fong*

**Monday, April 11, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)



**Food Safety and Inspection Service**

(b)(5)

**Risk Management Agency (RMA)**

(b)(5)

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, April 18, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Farm Service Agency (FSA)

(b)(5)

(b)(5)

**Investigative Activities**

None to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, April 25, 2011**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Nothing to report

Investigative Activities

Nothing to report.

Audit

Animal and Plant Health Inspection Service (APHIS)  
Effectiveness of the Smuggling, Interdiction, and Trade Compliance Unit  
Fast Report for Audit No. 33601-12-Ch (1)  
Issued: April 7, 2011.

(b)(5)

(b)(5)

**Forest Service (FS)  
FS Forest Legacy Program  
Audit No.08601-56-SF  
Issued: April 20, 2011**

The Office of Inspector General evaluated the adequacy of FS' controls over the Forest Legacy Program (FLP). The FLP is a Federal program that supports States' efforts to protect environmentally sensitive forest lands. States voluntarily participate in the program, which focuses on the acquisition of partial interests in privately owned forest lands through conservation easements. FS made efforts to improve its management and oversight of the FLP in response to a 2002 review conducted by the Surveys and Investigations staff of the U.S. House of Representatives Committee on Appropriations. Such efforts consisted of developing a national strategy for the program; implementing the Forest Legacy Information System (FLIS), which is used to store project information and track program accomplishments; and updating the FLP Implementation Guidelines to address issues, such as cost sharing, appraiser qualifications, appraisal review policy, and conservation easement monitoring. However, our audit concluded that FS needed to take additional steps to further strengthen its controls over the FLP. Specifically, FS needs to (1) strengthen its oversight of the appraisal process, (2) ensure States meet annual monitoring requirement, (3) strengthen controls over accounting and record keeping, and (4) standardize conservation easement agreements.

We made 24 recommendations as a result of this audit. At report issuance, we had management decision (agreement) on all but 3 agency proposed corrective actions. In those cases, we believe that FS should further strengthen its measures for overseeing State's review of appraisals and certification of value process.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, May 2, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Investigative Activities

Food and Nutrition Service (FNS)

(b)(5)

(b)(5)

Forest Service

(b)(5)

AMERICAN RECOVERY AND REINVESTMENT ACT.  
Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, May 16, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)

(b)(5)

## **AMERICAN RECOVERY AND REINVESTMENT ACT**

### **Investigative Activities**

On May 3, 2011, an Investigations' representative spoke on behalf of the Northwest Inspector General Council at the Western District of Washington's Anti-Money Laundering and Suspicious Activity Reporting forum in Seattle, Washington, which was sponsored by the U.S. Attorney's Office. Among the topics covered were Recovery Act investigations and the mission of OIGs as a whole. Attendees included representatives from Federal and State law enforcement agencies, as well as representatives from the financial industry.

### **Audit**

**Agricultural Research Service  
General Procurement Oversight Audit of Beltsville's Agricultural Research Service's  
National Agricultural Library Bricks Repair Contract Awarded to Vigil Contracting, Inc.  
02703-03-HQ  
Issued: May 6, 2011**

We contracted with Regis & Associates, PC to assist in ensuring that Agricultural Research Service's (ARS) Recovery Act procurement activities for buildings and facilities' critical deferred maintenance projects are performed in accordance with Federal Acquisition Regulations, Office of Management and Budget (OMB) Recovery Act guidance, and USDA directives. ARS awarded a sole-source, negotiated, firm fixed price, construction contract to Vigil Contracting, Inc., to repair the brick façade of the National Agricultural Library located in Beltsville, Maryland. The scope of this audit included a review of the justification for a sole-source acquisition, processes for preparing and issuing the solicitation, contractor selection, contract price determination, contract award, performance monitoring, invoice processing and payments, and Recovery Act reporting.

We found that ARS lacked a formal, structured, and clearly communicated acquisition planning process. Also, legal review procedures were not performed and the rationale for awarding a sole-source contract was not publicized on FedBizOpps.gov. Accordingly, we recommended that ARS' Head of Contracting Activity (HCA) issue a formalized acquisition planning process and ARS's Facilities Division implement the guidance issued by the HCA. Also, ARS should follow legal review procedures and contract award reporting requirements. ARS concurred with our recommendations for following legal review procedures and contract award reporting requirements. However, ARS did not concur with our recommendations for the HCA to issue a formalized acquisition planning process and the Facilities Division to implement this guidance. ARS believes that the Office of Procurement and Property Management (OPPM) should issue

this guidance. The OIG will meet with OPPM to discuss this matter and provide ARS with the results of our discussions in order for them to take the necessary action to address these two recommendations.

Forest Service

(b)(5)

Risk Management Agency

(b)(5)

Multiple USDA Agencies

(b)(5)

Investigative Activities

Nothing to report.

AMERICAN RECOVERY AND REINVESTMENT ACT

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
/s/ Phyllis K. Fong

**Tuesday, May 31, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

On May 26, 2011, Inspector General Phyllis K. Fong was invited to appear before the Subcommittee on Department Operations, Oversight, and Credit of the House Committee on Agriculture on Thursday, June 2, 2011, at 10 a.m. The purpose of this hearing is to review recent investigations and audits of the U.S. Department of Agriculture.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

*Animal and Plant Health Inspection Service*

(b)(5)

Forest Service

(b)(5)



Investigative Activities

None to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, June 6, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service (FNS)**

(b)(5)

**Audit**

**Controls over Genetically Engineered  
Animal and Insect Research  
Audit No. 50601-16-Te  
May 31, 2011**

While the Animal and Plant Health Inspection Service (APHIS) has published regulations for genetically engineered (GE) plants and plant pests, it has not issued regulations pertaining specifically to the introduction (import, interstate movement, or field release) of GE animals or animal pests, such as insects. APHIS stated that they have emphasized GE plants and plant pests because there are few inquiries regarding GE animals and animal pests. APHIS has been reacting on a case-by-case basis when researchers request information about regulatory requirements for the movement or field release of GE animals or animal pests. The Office of Inspector General acknowledged that APHIS' approach has been reasonable for regulating the few instances of experimentation relating to GE animals and insects that have taken place to date. However, APHIS needs to establish its regulations before such experimentation becomes more common. We also found that USDA agency-funded laboratories performing research into GE animals and insects need to develop and implement (1) a formal process for reporting and monitoring research incidents, (2) a formal research approval and review process, (3) a process for tracking recommendations from its evaluation inspections, and (4) a comprehensive security plan. APHIS, the Agricultural Research Service, and the National Institute of Food and Agriculture (the agencies involved) generally agreed with our recommendations to develop a regulatory framework that clearly defines both the scope of coverage and regulatory requirements and also to strengthen their controls at laboratories performing research into GE animal or animal pests. We have accepted management decision on four of the eight recommendations in the report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, June 10, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Investigative Activities**

Nothing to report.

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)



(b)(5)



**Natural Resource Conservation Service**

(b)(5)



**AMERICAN RECOVERY AND REINVESTMENT ACT.**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, June 20, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

On June 16, 2011, Inspector General Phyllis K. Fong received an invitation from the Committee on Agriculture, Nutrition and Forestry, United States Senate, to testify on June 23, 2011. The theme of this hearing is, "Farm Bill Accountability: The Importance of Measuring Performance While Eliminating Duplication and Waste."

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Investigative Activities**

Nothing to report.

**Law Enforcement**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, June 27, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)



(b)(5)

(b)(5)

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Tuesday, July 5, 2011**

*/signed/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Farm Service Agency

(b)(5)





*Food and Nutrition Service*

(b)(5)



**Audit**

**Controls over Outsourcing of Food and Nutrition Service's  
Supplemental Nutrition Assistance Program  
Electronic Benefits Transfer Call Centers  
27703-01-Tc  
Issued June 30, 2011**

The Office of Inspector General initiated this audit in response to public concerns that several States with high unemployment were outsourcing SNAP administrative services to foreign call centers and that funds provided by the Recovery Act were potentially being used to operate foreign Electronic Benefits Transfer (EBT) call centers. The audit objective was to determine

whether Recovery Act funds for the Food and Nutrition Service (FNS) SNAP EBT were used to support foreign EBT call centers and ascertain what, if any, actions should be taken by FNS to address this issue.

We found that the Recovery Act did not require, nor did FNS establish, controls to ensure that States using foreign call centers did not pay for such operations with Recovery Act funding. In addition, there were five States that both used foreign call centers and received Recovery Act funds for EBT Issuance Costs (Issuance Costs include call center costs). Recovery Act funding for EBT Issuance Costs for these five States were relatively small (about \$5.8 million, or 2 percent, of the \$290.5 million State Administrative Expense funding provided by the Recovery Act). The number of States using foreign call centers is decreasing. We found that only 15 States used foreign call centers in 2009 and only 13 in 2010. As a result, we did not make any recommendations.

#### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, July 11, 2011**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

**Investigative Activities**

None to report.

**Audit**

**Agricultural Research Service  
General Procurement Oversight Audit of Southeast Poultry Research Laboratory,  
Replacement of Critical Mechanical Systems Serving Buildings 1, 4, and 34 Contract  
Awarded to Peachtree Mechanical, Inc.  
02703-04-HQ  
Issued July 1, 2011**

The Department of Agriculture (USDA), Office of Inspector General (OIG), contracted with Regis & Associates, PC, to assist it in ensuring that the Agricultural Research Service's (ARS) Recovery Act procurement activities for critical deferred maintenance of buildings and facilities' projects are performed in accordance with acquisition regulations, Recovery Act guidance, and USDA directives. ARS awarded a sole-source, negotiated, firm fixed-price construction contract under the 8(a) Business Development Program to Peachtree Mechanical, Inc., to replace the critical mechanical, electrical, and plumbing systems serving certain buildings at the Southeast Poultry Research Laboratory, located in Athens, Georgia. The scope of this audit included a review of the justification for a sole source acquisition; processes for preparing and issuing the solicitation, contractor selection, contract price determination, contract award, performance monitoring; invoice processing and payments; and Recovery Act reporting.

The auditors found that, although ARS developed new Recovery Act recipient reporting procedures in response to a previous OIG report, additional review of recipient reporting was needed. ARS agreed to take the necessary measures to ensure contractor reporting is sufficiently reviewed and accurately reported. We also noted that ARS' Facilities Division did not document the acquisition planning performed, request a legal review of the solicitation, and the contracting officer did not properly publicize the rationale for awarding the contract on a sole-source, non-

competitive basis. We also previously reported these issues to ARS and the agency is in the process of developing corrective action plans or has since implemented the previous recommendations. As a result, no additional recommendations were made.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, July 18, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Risk Management Agency (RMA)**

(b)(5)



(b)(5)



**Investigative Activities**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*s/s Phyllis K. Fong*

**Monday, July 25, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

On July 25-26, 2011, Inspector General Phyllis Fong will travel to Kansas City, Missouri, to deliver remarks at the Office of Inspector General Audit Professional Development Conference.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency (FSA)**

(b)(5)



Food and Nutrition Service

(b)(5)

Investigative Activities

Nothing to report.

Audit

**Calendar Year 2010 Executive Order 13520, Reducing Improper Payments,  
High Dollar Report Review.  
Audit Report 50024-1-FM  
Issued July 15, 2011**

This report represents the results of our review of the Department's High Dollar Overpayments quarterly reports on high-risk programs for improper payments. Our review disclosed that, when submitting overpayment reports, the U.S. Department of Agriculture (USDA) did not fully comply with the Executive Order and the Office of Management and Budget's (OMB) guidance. More specifically, in the course of our audit, we found that USDA submitted reports after the deadline; did not report all high-dollar overpayments, and was not accurately reporting its corrective actions. Further, we determined that USDA's current reporting format for listing overpayment amounts could be misleading. These issues occurred because the Department and its component agencies did not have adequate reporting processes in place. Additionally, at the time of our audit, efforts to implement Executive Order requirements were still in progress. We believe that if USDA addresses these concerns, its reports will be more transparent and accurate. The Department concurred with our recommendations and we have reached management decision.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, August 1, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Farm Service Agency (FSA)

(b)(5)



*Food and Nutrition Service (FNS)*

(b)(5)



*Forest Service (FS)*

(b)(5)



**Investigative Activities**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ David R. Gray, for*

**Monday, August 8, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**  
Deputy Secretary Merrigan

Under Secretaries and Administrators

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Animal and Plant Health Inspection Service

(b)(5)

(b)(5)

**Forest Service**

(b)(5)

**Audit**

**National Agricultural Statistics Service  
USDA Agencies Need to Improve Processes  
Affecting County Yield Estimates  
Audit No. 50601-15-KC  
August 1, 2011**

The OIG undertook this audit to determine (1) whether the processes that the National Agricultural Statistics Service (NASS) uses to estimate county production yields generate accurate and reliable information, and (2) whether data collected to make these estimates offer a reasonable basis for administering programs. Overall, we concluded that NASS' current methodology for estimating county yields provides reasonably accurate and reliable information. During the course of the audit, we identified opportunities for NASS to improve its data collection (and subsequent county yield estimates) by supplementing and corroborating with the Risk Management Agency's (RMA) information, and by entering into formal data-sharing agreements with RMA and the Farm Service Agency. The agencies involved generally agreed with our recommendations to use RMA's data to cross-check and supplement its process for generating county-level yield estimates and also develop a formal agreement that maximizes NASS' full, ongoing access to RMA's data and institute the controls necessary to ensure the integrity of the data provided. OIG has accepted management decision on all recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Christy Slamowitz/for*

**Monday, August 15, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

On August 16-17, 2011, Inspector General Phyllis Fong will travel to Atlanta, Georgia, to deliver remarks at the Office of Inspector General Audit Professional Development Conference.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report.

**Investigative Activities**

**Animal and Plant Health Inspection Service**

(b)(5)



(b)(5)

**Rural Development**

(b)(5)

**American Recovery and Reinvestment Act**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
**s/s Phyllis K. Fong**

**Monday, August 22, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Inspector General (IG) Phyllis Fong was invited to speak at the American Institute of Certified Public Accountants (AICPA) Government Accounting and Auditing Conference which will be held at the JW Marriott in Washington, D.C., on Tuesday, August 23, 2011. IG Phyllis Fong, co-presenting with IG Jon Rymer, Federal Deposit Insurance Corporation, will be speaking on IG Community Initiatives.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report.

**Investigative Activities**

**Farm Security Agency**

(b)(5)

**Audit**

**U.S. Department of Agriculture's  
Management and Security Over Wireless Handheld Devices  
50501-01-IT  
Issued August 15, 2011**

The objective of this audit was to evaluate the management and implementation of security measures over the use of mobile handheld device technology within the U.S. Department of Agriculture (USDA). Of USDA's approximately 10,000 wireless handheld devices, we found that all 277 of those selected and tested were not adequately secured, according to National Institute of Standards and Technology (NIST) standards. Ultimately, these problems occurred because USDA chose to deploy wireless handheld devices using a decentralized approach, but did not provide its agencies with clear guidance on how they were to configure their devices and servers. The Departmental website for policies and procedures listed ten documents pertaining to wireless handheld devices, but eight documents were expired and another had been superseded.

We recommended that the Office of the Chief Information Officer (OCIO) develop NIST-compliant configuration guides for all approved wireless handheld device and server types and monitor agencies for compliance; work with telecommunication vendors to develop and implement an electronic billing process; and develop a centralized departmental system to capture all pertinent data for all handheld devices, such as user, phone number, make, model, device operating system, and current software level. We also made a specific recommendation to the Agricultural Research Service (ARS) to centralize its acquisitions and security over its wireless handheld devices. OCIO and ARS generally concurred with the recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Christy Slamowitz/for*

**Monday, August 15, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

On August 16-17, 2011, Inspector General Phyllis Fong will travel to Atlanta, Georgia, to deliver remarks at the Office of Inspector General Audit Professional Development Conference.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report.

**Investigative Activities**

**Animal and Plant Health Inspection Service**

(b)(5)



(b)(5)

**Rural Development**

(b)(5) \*

**American Recovery and Reinvestment Act**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, August 29, 2011**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Inspector General Phyllis K. Fong was invited by the Partnership for Public Service to be the guest speaker at their monthly Innovators Roundtable Conference on September 1. The Innovators are interested in hearing IG Fong's advice on the best way to work effectively with IGs.

IG Fong was also invited to address a delegation of attorneys from Japan on September 1. They are interested in learning about the Council of Inspectors General on Integrity and Efficiency.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report.

**Investigative Activities**

Nothing to report.

**Audit**

**Agricultural Research Service  
Procurement Oversight Audit of Construction Contract Awarded by Agricultural  
Research Service to Veterans Construction, LLC  
02703-06-HQ  
Issued August 22, 2011**

The U.S. Department of Agriculture, (USDA) Office of Inspector General, contracted with Regis & Associates, PC, to assist in ensuring that Agricultural Research Service's (ARS) Recovery Act procurement activities for buildings and facilities' critical deferred maintenance projects are performed in accordance with Federal Acquisition Regulations, Office of Management and Budget's Recovery Act guidance and USDA directives. ARS awarded a sole-source, negotiated, firm fixed price construction contract under the 8(a) Business Development Program to Veterans Construction, LLC, to replace the chiller, generator, and underground storage tank at the USDA Jean Mayer Human Nutrition Research Center for Aging, located in Boston, Massachusetts.

In this review, the auditors noted that ARS' Facilities Division did not document the acquisition planning performed, request a legal review of the solicitation, and properly publicize the rationale for awarding the contract on a sole-source, non-competitive basis. The auditors also noted that ARS was assessed a late payment fee, due to a prompt payment issue. These issues were previously reported to ARS in audit number 02703-03-HQ and 02703-04-HQ. As a result, no additional recommendations were made.

**Food and Nutrition Service  
American Recovery and Reinvestment Act Spending for Food and Nutrition Service  
Special Supplemental Nutrition Program for Women, Infants, and Children Management  
Information Systems  
27703-01-IT  
Issued August 22, 2011**

The Food and Nutrition Service (FNS) was authorized by the Recovery Act to award \$100 million for the purpose of establishing, improving, and administering the Women, Infants, and Children (WIC) Management Information Systems in State agencies. We found that FNS was adhering to the Recovery Act and related Office of Management and Budget guidance in awarding grant funds to this program and that funds were being used for their intended purpose. We did find, however, that one of the five WIC State agencies tested did not include proper documentation on FederalReporting.gov supporting payments made with Recovery Act funds and that two of the five State agencies did not have a process in place to ensure the number of jobs reported as created was accurate. We recommended FNS develop and implement an effective process to verify all quarterly Recovery Act recipient and sub-recipient reporting and a process that ensures the WIC State Agencies include the required language in all contracts to ensure jobs reported as created or saved are properly supported by documentation. FNS concurred with our recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
/s/ Phyllis K. Fong

**Tuesday, September 6, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

(b)(5)



**AMERICAN RECOVERY AND REINVESTMENT ACT**

**Investigative Activities**

(b)(7)(E)



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, September 12, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

On September 13, Inspector General Phyllis Fong will deliver remarks at the Office of Inspector General Audit Professional Development Conference in Beltsville, Maryland.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Animal and Plant Health Inspection Service**

(b)(5)

(b)(5)

**Farm Service Agency**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

**Risk Management Agency  
Citrus Crop Indemnity Payments from Hurricane Wilma in Florida  
No. 05099-29-At  
September 7, 2011**

When Hurricane Wilma struck Florida on October 24, 2005, it damaged citrus crops that many producers had insured with insurance policies reinsured by the Department of Agriculture's Risk Management Agency (RMA). Though these policies were sold and serviced by private insurance companies, known as approved insurance providers (AIP), RMA reinsures losses the

AIPs suffer. Overall, RMA reinsured the AIPs and Florida citrus producers with \$384.9 million in liability for crop year 2006. Hurricane Wilma resulted in 2,420 citrus fruit crop insurance claims and \$60.8 million in indemnity payments. The majority of these indemnities, 87 percent (\$53 million), were processed by two AIPs—Rain and Hail (RH) and Rural Community Insurance Services (RCIS). We initiated this audit to evaluate the adequacy of RMA's management controls over these citrus fruit claims and indemnity payments.

Based on our review of 144 claims RH and RCIS processed to pay \$37 million in indemnities, we found that these two AIPs circumvented established procedures for adjusting citrus losses. They failed to follow either RMA's general loss procedures for adjusting citrus losses or the emergency loss procedures RMA issued to expedite Hurricane Wilma-related payments. Instead, they used procedures or allowed options that were not approved by RMA. We discussed with the AIPs their reasons for deviating from RMA's approved procedures, but they maintained that they followed procedures.

In summary, we concluded that RH and RCIS need to review all Florida citrus indemnities for which the AIPs requested average yields from RMA, and recalculate and correct those indemnities. However, since the AIPs did not perform the required appraisals of the damage that occurred due to Hurricane Wilma, the AIPs may not be able to recalculate the correct indemnities. If the AIPs cannot recalculate the correct indemnities payable to citrus producers using RMA approved procedures, then RMA needs to follow the Standard Reinsurance Agreement and deny reinsurance for indemnities totaling up to \$44.1 million. RMA agreed with our recommendations.

#### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, September 19, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Risk Management Agency**

(b)(5)



(b)(5)

**Food and Nutrition Service**

(b)(5)

**Investigative Activities**

Nothing to report.

## Audit

**Natural Resources Conservation Service  
Controls over the Farm and Ranch Lands  
Protection Program in Michigan  
Audit Report 10099-3-Ch  
September 14, 2011**

Through the Farm and Ranch Lands Protection Program (FRPP), USDA's Natural Resources Conservation Service (NRCS) provides Federal funds to organizations to purchase conservation easements in order to keep selected parcels of land from being developed for non-agricultural purposes, such as housing. We performed this audit to evaluate NRCS' appraisal process and the agency's controls over FRPP in Michigan.

We found two issues with the validity of appraisals and the associated high land values, which caused us to question a total of \$7.6 million of the total \$11.5 million NRCS paid for these easements since fiscal year (FY) 2006. First, the NRCS State office accepted conservation easement appraisals even though they did not meet standards or were unsupported. These errors went unnoticed because the NRCS State office staff did not follow the required process or verify that the appraisals were appropriately reviewed.

Second, we found that the State Conservationist in Michigan failed to identify that 20 of the 34 conservation easements, closed since FY 2006, had stale dated appraisals, over 12 months old at conservation easement closing, and may have not reflected current fair market value. These appraisals averaged 20 months old at the time of closing, with seven of these being between 24 and 31 months old. No further action was taken to get updated appraisals because the State office staff was uncertain of whether they were still required to enforce the 12-month policy.

We recommended that NRCS review all pending FRPP conservation easement appraisals in Michigan to ensure that all have gone through the required review process and will be less than 12 months old at closing. NRCS also needs to monitor the State office's development and implementation of corrective actions and appraisal review procedures until NRCS has assurance that the State Conservationist and his staff effectively verify that appraisals are adequately reviewed. NRCS generally agreed with our findings and agreed to implement the recommended corrective actions. We have accepted management decision on all recommendations.

**Rural Utilities Service  
Rural Utilities Service Needs to Improve Project Transparency for the Water and Waste  
Disposal System Recovery Act Projects—Fast Report 2  
09703-1-At, Issued August 31, 2011.**

The Rural Utilities Service (RUS) is a Rural Development agency that administers the Water and Waste Disposal System Program and provides loans and grants for sewer, storm water, and solid



waste disposal systems in cities and towns having populations up to 10,000 people. The Recovery Act provided this program with about \$3.8 billion in funds, of which \$3.3 billion was obligated as of September 30, 2010. This Fast Report addressed the issue of transparency of Water and Waste Disposal System Program projects. We found that projects are considered "started" at the time loan and/or grant funds are obligated; however, due to preconstruction requirements, actual project construction could occur months or even years after obligation. Without proposer disclosure of project timing, the public may not fully understand the progress of water and waste disposal projects in meeting the goals of the Recovery Act. Therefore, we recommended that RUS disclose on the Recovery Act's website the time needed to initiate actual construction for each water and waste disposal project following obligation of funds and this timeframe's impact on the timing of project spending and jobs created. RUS generally agreed with our recommendation and are committed to providing the public with information regarding this program and its processes.

#### **AMERICAN RECOVERY AND REINVESTMENT ACT.**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, September 26, 2011**

*/s/ David R. Gray*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

Wednesday, October 5

Inspector General Phyllis Fong was invited by the United States Senate Committee on Homeland Security and Governmental Affairs to testify before the Subcommittee on Contracting Oversight at a hearing entitled, "Food Service Management Contracts: Are Contractors Overcharging the Government?". This hearing will be held at the Dirksen Senate Office Building.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)

(b)(5)

**Natural Resources Conservation Service**

(b)(5)

**AMERICAN RECOVERY AND REINVESTMENT ACT**

**Investigative Activities**

On September 12, 2011, an Investigations representative discussed American Recovery and Reinvestment Act issues among other topics at the Minnesota Agricultural Council Meeting.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, October 3, 2011**

*/s/ David R. Gray*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

(b)(5)



**Risk Management Agency**

(b)(5)



**AMERICAN RECOVERY AND REINVESTMENT ACT**

**Investigative Activities**

Nothing to report.

**Audit**

**Statement on Standards for Attestation Engagements No. 16 Report on  
Office of the Chief Information Officer/National Information Technology Center  
General Controls – Fiscal Year 2011  
Audit Report No. 88501-01-11  
Issued September 19, 2011.**

(b)(5)

**Statement on Standards for Attestation Engagements No. 16 Report on  
National Finance Center General Controls – Fiscal Year 2011  
Audit Report No. 11401-2-11  
Issued September 23, 2011**

(b)(5)

(b)(5)

**Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and  
Supplemental Semiannual Headcount Reporting Submitted to the  
Office of Personnel Management  
Audit Report No. 11401-1-11  
Issued September 23, 2011**

This report presents the results of the Agreed-Upon Procedures performed on the employee benefits, withholdings, contributions, and the *Supplemental Semiannual Headcount Reports* submitted to the U.S. Office of Personnel Management (OPM) by NFC as of August 30, 2011. Our objective was to perform the procedures detailed in the Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended, to assist OPM in assessing the reasonableness of retirement, health, and life insurance withholdings/contributions, and employee data submitted by NFC. Also, our objective was to assist OPM to identify errors relating to processing and distributing Combined Federal Campaign (CFC) payroll deductions. We found no differences that exceeded the allowable OPM thresholds. For FY 2011, however, OPM added procedures for verifying CFC deductions made by the payroll providers. For one pay period, we identified over 5,000 records in NFC's system where the CFC deductions were sent to different campaign areas than those designated by OPM. This represents approximately 5 percent of the total CFC deductions for all entities' NFC services.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

**Audit Activities**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong** ...  
*/s/ Phyllis K. Fong*

**Tuesday, October 11, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**  
**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

Nothing to report.

**Audit**

**Food Safety and Inspection Service  
The Food Safety and Inspection Service Needs to Better Identify High-Risk Commercial  
Food Companies for Inspection  
Audit Report 24601-0008  
Issued September 30, 2011**



In order to assure the American public that the nation's commercial supplies of meat, poultry, and egg products are safe, wholesome, and correctly labeled and packaged, the Food Safety and Inspection Service (FSIS) assesses the approximately 145,000 businesses engaged in the interstate transport, storage, distribution, and sale of these foods. Based on our review of this in-commerce surveillance program, we found that FSIS conducts surveillance reviews and pursues followup appropriately, but that the agency can improve its methodology for selecting firms for surveillance. Although FSIS investigators are required to prioritize surveillance based on risk, they have not established selection criteria that makes risk a primary consideration when it selects firms for review. FSIS officials explained that surveillance reviews are being decided primarily based on proximity to other sites and at the investigator's convenience. In addition, we found that the In-Commerce System—a web-based application FSIS uses to store program data—had a significant number of duplicate or inactive firms listed, which affects the agency's ability to efficiently search for or select firms for review. FSIS agreed with our recommendations to improve how the agency selects high-risk firms for review.

**Agricultural Research Service  
Procurement Oversight Audit of Architect-Engineer Services Contract Awarded by  
Agricultural Research Service to Delta Engineers & Architects, P.C.  
02703-05-HQ  
Issued September 30, 2011**

The U.S. Department of Agriculture's (USDA) Office of Inspector General contracted with Regis & Associates, P.C., to assist it in ensuring that Agricultural Research Service's (ARS) Recovery Act procurement activities for buildings and facilities' critical deferred maintenance projects are performed in accordance with Federal Acquisition Regulations, Office of Management and Budget's (OMB) Recovery Act guidance and USDA directives. ARS awarded a sole-source, negotiated, firm fixed price Architect-Engineer services contract to Delta Engineers & Architects, P.C., to provide bid phase and construction management services for the replacement of the chiller, generator, and underground storage tank at the USDA's Jean Mayer Human Nutrition Research Center for Aging, located in Boston, Massachusetts.

In this review, the auditors noted that ARS' Facilities Division delayed the publication of a contract modification on FedBizOpps.gov and did not include the modification price in the post-award notice. OMB's Recovery Act Guidance (M-09-15) requires "timely and accurate information reporting by the Federal agencies in order to provide both the Congress and taxpayers the ability to track and monitor all Recovery funds with the level of transparency and accountability envisioned in the Act." ARS concurred with our recommendations and has implemented corrective action. The auditors also noted that ARS was assessed a late payment fee due to a prompt payment issue. We noted that subsequent invoices were paid in a timely manner; as a result, no recommendation was made.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, October 17, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

At 10 a.m., on October 18, 2011, Inspector General and Council of Inspectors General on Integrity and Efficiency (CIGIE) Chair, Phyllis K. Fong, will be presenting awards at the 2011 CIGIE Annual Awards Ceremony at the Andrew Mellon Auditorium in Washington, D.C.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

(b)(5)

**Forest Service**

(b)(5)

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
/s/ Phyllis K. Fong

**Monday, October 24, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

Nothing to report

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

*Food and Nutrition Service*

(b)(5)



(b)(5)



*Rural Business and Cooperative Service*

(b)(5)



*American Recovery and Reinvestment Act Investigative Activities*

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
/s/ Phyllis K. Fong

**Monday, October 31, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Inspector General Phyllis K. Fong received an invitation to deliver the "Federal, State, and Local Issues" briefing at the National Intergovernmental Auditor Forum meeting to be held in Washington, D.C., on November 3, 2011.....

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)



(b)(5)

**Rural Business and Cooperative Service**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
/s/ David R. Gray, for

**Monday, November 7, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)



(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, November 21, 2011**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency**

(b)(5)

*Food and Nutrition Service*

(b)(5)



(b)(5)

**Forest Service**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

**Department of Agriculture's Consolidated  
Financial Statements for Fiscal Years 2011 and 2010  
Audit Report No. 05401-0001-11  
Issued November 15, 2011.**

(b)(5)

**Rural Development's Financial  
Statements for Fiscal Years 2011 and 2010  
Audit Report No. 85401-0001-11  
Issued November 7, 2011**

This report represents the results of our audits of Rural Development's (RD) financial statements for the fiscal years ending September 30, 2011 and 2010. The report contains an unqualified opinion on the financial statements. Our consideration of internal controls over financial reporting identified two significant deficiencies in RD's management's review and documentation of credit reform re-estimate processes; and controls over eligibility determinations for the Single Family Housing Guaranteed Loan and Recovery Act Funds. Our consideration of compliance with laws and regulations did not disclose any instances of noncompliance.

**Forest Service's Financial Statements for  
Fiscal Years 2011 and 2010  
Audit Report No. 08401-0001-11  
Issued November 8, 2011**

This report presents the results of the audit of Forest Service's (FS) financial statements for the fiscal years ending September 30, 2011 and 2010. The report contains an unqualified opinion on the financial statements. Kearney & Company, P.C. (Kearney), an independent certified public firm, conducted the audits. The Kearney report identified two significant deficiencies in Information Technology and Property, Plant, and Equipment. The Kearney report did not disclose any instances of noncompliance or other matters with certain laws, regulations, contracts and grant agreements required to be reported.

**Commodity Credit Corporation's Financial  
Statements for Fiscal Years 2011 and 2010  
Audit Report No. 06401-0001-11  
Issued November 7, 2011**

This report presents the results of the audit of Commodity Credit Corporation's (CCC) financial statements for the fiscal years ending September 30, 2011 and 2010. The report contains an unqualified opinion on the financial statements. The Clifton Gunderson LLP report on CCC's internal control structure over financial reporting identified three significant deficiencies in CCC's financial management system functionality; Information security controls; and Controls over child agency financial reporting. Clifton Gunderson LLP considered the first significant deficiency to be a material weakness. The results of Clifton Gunderson LLP's tests of compliance with laws and regulations disclosed noncompliance with Federal Financial Management Improvement Act for both Federal financial management systems requirements and the U.S. Standard General Ledger at the transaction level.

**Natural Resource and Conservation Service Financial  
Statements for Fiscal Year 2011  
Audit Report No. 10401-0001-11  
Issued November 7, 2011**

This report presents the results of the engagement to audit Natural Resources Conservation Service's (NRCS) financial statements for the fiscal year ending September 30, 2011. The report contains a disclaimer of opinion on the financial statements. KPMG LLP's report identified weaknesses in NRCS' accounting and controls over undelivered orders; accounting and controls over accrued expenses; controls over financial reporting; accounting and controls for property, plant, and equipment; general and application access controls; accounting and controls over the revenue and unfilled customer orders; and controls over purchase and fleet card transactions. KPMG LLP considered the first five deficiencies to be material weaknesses and the last two to be significant deficiencies. The results of KPMG LLP's tests of compliance with laws and

regulations disclosed instances of noncompliance with the Federal Financial Management Improvement Act of 1996.

**Federal Crop Insurance Corporation/Risk Managements Agency's Financial  
Statements for Fiscal Years 2011 and 2010  
Audit Report No. 05401-0001-11  
Issued November 4, 2011**

This report presents the results of the audit of Federal Crop Insurance Corporation/Risk Management Agency's consolidated financial statements for the fiscal years ending September 30, 2011, and 2010. The report contains an unqualified opinion on the financial statements. No weaknesses related to internal controls or noncompliance with laws and regulations were reported.

**Food and Nutrition Service's Financial  
Statements for Fiscal Years 2011 and 2010  
Audit Report No. 27401-0001-11  
Issued November 14, 2011**

This report presents the results of our audit of the Food and Nutrition Service's financial statements for the fiscal years ending September 30, 2011 and 2010. The report contains an unqualified opinion on the financial statements. No weaknesses related to internal controls were reported. Our consideration of compliance with laws and regulations disclosed one instance of noncompliance with the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 requirements, regarding the design of program internal controls related to reporting improper payments.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**Monday, November 28, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Animal and Plant Inspection Service

(b)(5)



**Farm Service Agency**

(b)(5)

**Natural Resources Conservation Service**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, December 5, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**  
**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Animal and Plant Health Inspection Service**

(b)(5)

(b)(5)

**Food and Nutrition Service**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*s/s Phyllis K. Fong*

**Monday, December 12, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency (FSA)**

(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

**Analysis of Kansas' Supplemental Nutrition Assistance Program Eligibility Data**

**Audit Report 27002-0001-13**

**Issued: November 23, 2011**

The Food and Nutrition Service's (FNS) Supplemental Nutrition Assistance Program, formerly known as the Food Stamp Program, provides monthly food assistance and nutrition for the health and well being of more than 40 million low-income individuals. The Office of Inspector General (OIG) initiated this audit to analyze the Kansas SNAP participant database to identify anomalies that may result in ineligible participants receiving SNAP benefits.

Of the 269,710 SNAP recipients in Kansas as of September 2010, we found 883 recipients who were deceased, had invalid Social Security numbers (SSNs), were receiving duplicate benefits from the State of Kansas, or were receiving benefits simultaneously with the adjoining State of

Missouri. The Kansas Department of Social and Rehabilitation Services (SRS) is responsible for administering SNAP and explained that these issues occurred because it uses a State data file and not a required, national Social Security Administration (SSA) database to identify deceased participants. Likewise, SRS does not perform some edit checks that would help ensure that the participant information that is entered is accurate to prevent errors such as invalid SSNs. Finally, though SRS uses the Public Assistance Reporting Information System (PARIS) database to check for duplicate enrollment across States, this system does not include all participants nationwide because FNS does not require States to participate in PARIS or to check for dual participation. In all, the 883 participants that should have been removed from program participation caused us to question approximately \$109,845 in benefits per month, based on the average monthly amount a recipient receives in Kansas.

We recommended that FNS provide guidance to ensure that SRS is using a comprehensive national SSA database to perform its death matches and SSN verifications. We also recommended that FNS ensure that SRS regularly performs checks to verify information in participant databases is accurate. FNS also needs to require SRS to review the 883 individuals identified in this report and determine if those participants have received improper payments. Generally, FNS agreed with our recommendations, and we were able to reach management decision on two of the report's three recommendations. To reach management decision on the final recommendation, FNS needs to provide a timeline for implementing regular checks to verify that data in its participant databases is accurate and complete.

**Analysis of Supplemental Nutrition Assistance Program (SNAP) Anti-Fraud Locator  
EBT Retailer Transactions (ALERT) Database  
Audit Report 27002-0001-DA  
Issued: November 22, 2011**

To fulfill the Department of Agriculture's mission to form a national safety net against hunger, the SNAP, administered by the Food and Nutrition Service (FNS), provides monthly food assistance and nutrition for low-income individuals. To search for signs of fraud, waste, and abuse within the program, FNS tracks SNAP recipient transactions, or electronic benefits transfer (EBT) transactions, using the Anti-Fraud Locator EBT Retailer Transactions (ALERT) system. In order to determine which States might be at high-risk for fraud, we requested complete EBT transaction files used to populate FNS' ALERT system for all 53 States and territories from August 2009 to April 2011. When we received the files, we found that while most files were present, they were incomplete and disorganized.

Specifically, of the 19,345 files from 53 States and territories, FNS was unaware that 75 files from 18 States were missing. We also found duplicate files, and different files with the same names. This occurred because, although FNS backs up its EBT transaction files regularly, the agency did not have processes in place to check for missing data or to consistently manage multiple versions of files. Because of this, gathering all the files took almost three months. After working with FNS, we noted that FNS had already begun to address weaknesses in its archival process; with strengthened controls, FNS can further improve its backup data management. FNS' archive files are used to repopulate the ALERT database in emergency situations and are used for investigation and audit purposes; it is therefore crucial that the data

they contain are accessible at all times.

In this report, we recommended that FNS establish documented procedures to comprehensively check for missing files prior to archival, and establish standard naming and organization conventions to differentiate the most recent and accurate data. FNS concurred and has begun taking steps to strengthen system controls that will be completed by June 30, 2012. We concur with the agency's response and have reached management decision for the two recommendations.

**Analysis of Florida's Supplemental Nutrition Assistance Program (SNAP) Eligibility Data**  
**Audit Report 27002-0002-13**  
**Issued: November 29, 2011**

The Food and Nutrition Service's (FNS) Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, provides monthly food assistance and nutrition for the health and wellbeing of more than 40 million low-income individuals. The Office of Inspector General (OIG) initiated this audit in December 2010 to analyze the Florida SNAP participant database to identify anomalies that may result in ineligible participants receiving SNAP benefits.

Of the 2,603,185 average monthly recipients in Florida, as of December 2010, we found 2,689 (.1 percent) recipients who were deceased, had invalid Social Security numbers (SSNs), were receiving duplicate benefits in Florida, were receiving benefits simultaneously with one of four nearby States, or were listed in the Electronic Disqualified Recipient System (eDRS). We also found individuals who exceeded asset limitations but received SNAP benefits because they were considered "categorically eligible." The Department of Children and Families (DCF) is responsible for administering SNAP and explained that these issues occurred because participation in SNAP has grown by 111 percent since 2007, which officials stated has caused significant backlogs in case processing. Additionally, DCF does not perform some edit checks that would help ensure that the participant information that is entered is accurate. Also, though DCF uses the Public Assistance Reporting Information System (PARIS) database to check for duplicate enrollment across States, this system does not include all participants nationwide because FNS does not require States to participate in PARIS and does not require States to check for dual participation.

In all, the 2,689 participants that should have been researched and possibly removed from program participation cause us to question approximately \$380,225 in benefits per month, based on the average monthly amount a recipient receives in Florida. While the number of errors identified is relatively low, we found areas for potential improvement that would strengthen fraud detection and prevention efforts in Florida. With a 111 percent increase in participation since 2007, SNAP is a rapidly growing program in Florida. If DCF does not take measures to increase preventative and fraud detection efforts, it risks making continued payments to individuals who are not eligible for SNAP funds.

FNS agreed with the findings and recommendations included in this report.

**American Recovery and Investment Act**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong /s/**  
*/s/ Phyllis K. Fong*

**Monday, December 19, 2011**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency (FSA)**

(b)(5)

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**Food and Nutrition Service (FNS)**

(b)(5)

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(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

**Analysis of Kansas' Supplemental Nutrition Assistance Program Eligibility Data  
Audit Report 27002-0001-13  
Issued: November 23, 2011**

The Food and Nutrition Service's (FNS) Supplemental Nutrition Assistance Program, formerly known as the Food Stamp Program, provides monthly food assistance and nutrition for the health and well being of more than 40 million low-income individuals. The Office of Inspector General (OIG) initiated this audit to analyze the Kansas SNAP participant database to identify anomalies that may result in ineligible participants receiving SNAP benefits.

Of the 269,710 SNAP recipients in Kansas as of September 2010, we found 883 recipients who were deceased, had invalid Social Security numbers (SSNs), were receiving duplicate benefits from the State of Kansas, or were receiving benefits simultaneously with the adjoining State of Missouri. The Kansas Department of Social and Rehabilitation Services (SRS) is responsible for administering SNAP and explained that these issues occurred because it uses a State data file and

not a required, national Social Security Administration (SSA) database to identify deceased participants. Likewise, SRS does not perform some edit checks that would help ensure that the participant information that is entered is accurate to prevent errors such as invalid SSNs. Finally, though SRS uses the Public Assistance Reporting Information System (PARIS) database to check for duplicate enrollment across States, this system does not include all participants nationwide because FNS does not require States to participate in PARIS or to check for dual participation. In all, the 883 participants that should have been removed from program participation caused us to question approximately \$109,845 in benefits per month, based on the average monthly amount a recipient receives in Kansas.

We recommended that FNS provide guidance to ensure that SRS is using a comprehensive national SSA database to perform its death matches and SSN verifications. We also recommended that FNS ensure that SRS regularly performs checks to verify information in participant databases is accurate. FNS also needs to require SRS to review the 883 individuals identified in this report and determine if those participants have received improper payments. Generally, FNS agreed with our recommendations, and we were able to reach management decision on two of the report's three recommendations. To reach management decision on the final recommendation, FNS needs to provide a timeline for implementing regular checks to verify that data in its participant databases is accurate and complete.

**Analysis of Supplemental Nutrition Assistance Program (SNAP) Anti-Fraud Locator  
EBT Retailer Transactions (ALERT) Database  
Audit Report 27002-0001-DA  
Issued: November 22, 2011**

To fulfill the Department of Agriculture's mission to form a national safety net against hunger, the SNAP, administered by the Food and Nutrition Service (FNS), provides monthly food assistance and nutrition for low-income individuals. To search for signs of fraud, waste, and abuse within the program, FNS tracks SNAP recipient transactions, or electronic benefits transfer (EBT) transactions, using the Anti-Fraud Locator EBT Retailer Transactions (ALERT) system. In order to determine which States might be at high-risk for fraud, we requested complete EBT transaction files used to populate FNS' ALERT system for all 53 States and territories from August 2009 to April 2011. When we received the files, we found that while most files were present, they were incomplete and disorganized.

Specifically, of the 19,345 files from 53 States and territories, FNS was unaware that 75 files from 18 States were missing. We also found duplicate files, and different files with the same names. This occurred because, although FNS backs up its EBT transaction files regularly, the agency did not have processes in place to check for missing data or to consistently manage multiple versions of files. Because of this, gathering all the files took almost three months. After working with FNS, we noted that FNS had already begun to address weaknesses in its archival process; with strengthened controls, FNS can further improve its backup data management. FNS' archive files are used to repopulate the ALERT database in emergency situations and are used for investigation and audit purposes; it is therefore crucial that the data they contain are accessible at all times.

In this report, we recommended that FNS establish documented procedures to comprehensively check for missing files prior to archival, and establish standard naming and organization conventions to differentiate the most recent and accurate data. FNS concurred and has begun taking steps to strengthen system controls that will be completed by June 30, 2012. We concur with the agency's response and have reached management decision for the two recommendations.

**Analysis of Florida's Supplemental Nutrition Assistance Program (SNAP) Eligibility Data  
Audit Report 27002-0002-13  
Issued: November 29, 2011**

The Food and Nutrition Service's (FNS) SNAP, formerly known as the Food Stamp Program, provides monthly food assistance and nutrition for the health and wellbeing of more than 40 million low-income individuals. The Office of Inspector General (OIG) initiated this audit in December 2010 to analyze the Florida SNAP participant database to identify anomalies that may result in ineligible participants receiving SNAP benefits.

Of the 2,603,185 average monthly recipients in Florida, as of December 2010, we found 2,689 (.1 percent) recipients who were deceased, had invalid Social Security numbers (SSNs), were receiving duplicate benefits in Florida, were receiving benefits simultaneously with one of four nearby States, or were listed in the Electronic Disqualified Recipient System (eDRS). We also found individuals who exceeded asset limitations but received SNAP benefits because they were considered "categorically eligible." The Department of Children and Families (DCF) is responsible for administering SNAP and explained that these issues occurred because participation in SNAP has grown by 111 percent since 2007, which officials stated has caused significant backlogs in case processing. Additionally, DCF does not perform some edit checks that would help ensure that the participant information that is entered is accurate. Also, though DCF uses the Public Assistance Reporting Information System (PARIS) database to check for duplicate enrollment across States, this system does not include all participants nationwide because FNS does not require States to participate in PARIS and does not require States to check for dual participation.

In all, the 2,689 participants that should have been researched and possibly removed from program participation cause us to question approximately \$380,225 in benefits per month, based on the average monthly amount a recipient receives in Florida. While the number of errors identified is relatively low, we found areas for potential improvement that would strengthen fraud detection and prevention efforts in Florida. With a 111 percent increase in participation since 2007, SNAP is a rapidly growing program in Florida. If DCF does not take measures to increase preventative and fraud detection efforts, it risks making continued payments to individuals who are not eligible for SNAP funds.

FNS agreed with the findings and recommendations included in this report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, December 13, 2010**

...../signed/

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Press Announcements**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong /s/**  
*/s/ Phyllis K. Fong*

**Tuesday, January 3, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency (FSA)**

(b)(5)

(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)

**Rural Housing Service (RHS)**

(b)(5)

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

**Agricultural Research Service  
Procurement Oversight Audit of National Center for Agricultural Utilization Research  
Contract  
02703-0008-HQ  
Issued December 21, 2011**

The USDA Office of Inspector General contracted with Regis & Associates, PC to assist it in ensuring that Agricultural Research Service's (ARS) Recovery Act procurement activities for buildings and facilities' critical deferred maintenance projects are performed in accordance with Federal Acquisition Regulations, Office of Management and Budget's Recovery Act guidance and USDA directives. ARS awarded a construction contract to Core Construction Services of Illinois to perform a major renovation of the Center Wing of the National Center for Agricultural Utilization Research phases 3 and 4, located in Peoria, Illinois.

In this review, the auditors noted that ARS' Facilities Division did not request a legal review of the solicitation. These issues were previously reported to ARS in audit numbers 02703-03-HQ, 02703-04-HQ, and 02703-06-HQ. ARS agreed with our prior recommendation. As a result, no additional recommendations were made.

**Agricultural Research Service  
Procurement Oversight Audit of the Western Regional Research Facility Contract  
Awarded by Agricultural Research Service to Abide International, Inc.  
02703-0009-HQ  
Issued December 21, 2011**

The Department of Agriculture, (USDA) Office of Inspector General contracted with Regis & Associates, PC to assist it in ensuring that Agricultural Research Service's (ARS) Recovery Act procurement activities for buildings and facilities' critical deferred maintenance projects are performed in accordance with Federal Acquisition Regulations, Office of Management and Budget's Recovery Act guidance and USDA directives. ARS awarded a sole-source, negotiated, firm fixed price construction contract under the 8(a) Business Development Program to Abide International, Inc. to repair the exterior finishes of the West Annex, and the Service Buildings at the Western Regional Research Facility located in Albany, California.

In this review, the auditors noted that ARS' Facilities Division did not document the acquisition planning performed and request a legal review of the solicitation. These issues were previously reported to ARS in audit numbers 02703-03-HQ, 02703-04-HQ, and 02703-06-HQ. ARS agreed with our prior recommendations. As a result, no additional recommendations were made.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
/s/ David R. Gray/ for

**Tuesday, January 17, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Animal and Plant Health Inspection Service**

(b)(5)

(b)(5)

**Food Safety and Inspection Service**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**30-60 Day Look Ahead**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
/s/ Phyllis K. Fong

**Monday, January 23, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**  
**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)



(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report..

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**30-60 Day Look Ahead**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong /S/**

**Monday, January 30, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)



(b)(5)

**American Recovery and Reinvestment Act Investigative Activities**

Nothing to report.

**Investigative Activities**

Nothing to report.

**Audit**

**USDA Needs To Survey Losses Caused by Colony Collapse Disorder**

**Audit No. 50099-84-Hy**

**January 20, 2012**

In response to Colony Collapse Disorder (CCD)—a disorder that interferes with honey bee pollination and endangers \$15 billion annually in added crop value—the U.S. Department of Agriculture (USDA) led a Federal/non-Federal collaboration that took action to better understand the disorder and mitigate the damage to bee colonies. Four USDA agencies, the Agricultural Research Service, the National Institute of Food and Agriculture, the Animal and Plant Health Inspection Service, and the Natural Resources Conservation Service collaborated to develop an action plan to address the CCD crisis through surveying and collecting data, analyzing samples, researching the causes of the disorder, and mitigating the disorder's effects. The CCD Action Plan and the 2008 Farm Bill prescribed CCD-related actions by the National Agricultural Statistics Service (NASS), the Risk Management Agency, and the Farm Service Agency.

OIG audited these efforts and found that USDA's implementation of the CCD Action Plan and CCD-related actions under the 2008 Farm Bill were adequate, except that USDA had not completed a comprehensive survey of bee colony losses and the resulting agricultural damage. We recommended that the Under Secretary seek adequate funding for NASS to conduct a comprehensive survey of honey bee colony production and health. Departmental officials agreed with the need to complete this survey, but expressed concerns about their ability to fund it. We have accepted management decision on all recommendations.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, February 6, 2012**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

Nothing to report.

30-60 Day Look Ahead

Nothing to report

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Animal and Plant Inspection Service

(b)(5)



(b)(5)

**Food and Nutrition Service**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

**Food and Nutrition Service  
Identifying Areas of Risk in the Child and Adult Care Food Program Using  
Automated Data Analysis Tools  
Audit Report 27099-0001-DA  
January 31, 2012**

The Food and Nutrition Service's (FNS) Child and Adult Care Food Program (CACFP) provides nutritious meals and snacks to participants in daycare institutions, such as child care centers, daycare homes, and adult daycare centers. These CACFP sites are reimbursed based on the number of eligible meals and snacks served to children and adults, so the meal counts they provide to their respective States are a critical part of how CACFP operates. The Office of

Inspector General (OIG) initiated this audit to determine whether data analysis of these sites' meal counts could provide a valuable technique for identifying sites at higher risk of inflating their meal counts.

We visited 56 high risk sites in Florida and Michigan to determine if daycare providers were claiming more meals than the actual number of meals they served. We found that one third of the sites visited were historically claiming more meals than we observed during our visits. These problems occurred because the FNS and the States rely largely on the monitors' limited reviews to ensure that the sites are reporting accurate meal claims and complying with FNS program requirements. However, the monitors do not fully utilize data analysis to target higher risk sites, and there are also weaknesses concerning the timing of reviews and the consistency of analysis performed during monitoring visits.

We recommended that FNS and the States work with States' program sponsors to improve their monitoring techniques to ensure site visits occur throughout the month, using consistent, standardized guidance and to develop inexpensive, readily available data analysis tools to identify higher risk sites for additional review. FNS concurs with our three recommendations. To reach management decision, FNS is preparing a time-phased corrective action plan with definite interim completion dates.

**Food and Nutrition Service  
Analysis of Alabama's Supplemental Nutrition Assistance Program  
Eligibility Data  
Audit Report No. 27002-0004-13  
January 31, 2012**

The FNS SNAP, formerly known as the Food Stamp Program, provides monthly food assistance and nutrition for the health and wellbeing of more than 40 million low-income individuals. The OIG initiated this audit in February 2011 to analyze the Alabama SNAP participant database to identify anomalies that may result in ineligible participants receiving SNAP benefits.

Of the 805,095 average monthly SNAP recipients in Alabama during fiscal year 2010, we found 1,639 recipients (.2 percent) who were deceased, were receiving duplicate benefits in Alabama, were receiving benefits simultaneously with one of five nearby States, or were listed in the Electronic Disqualified Recipient Systems (eDRS) as previously disqualified from receiving SNAP benefits. While Alabama's Department of Human Resources (DHR) has taken several steps to safeguard against potential fraud, waste, and abuse, there is still some opportunity for improvement. DHR does not perform some edit checks that would help ensure that the participant information that is entered is accurate. Also, because FNS does not require States to participate in the Public Assistance Reporting Information System (PARIS) database to check for duplicate enrollment across States, or the eDRS system to ensure that applicants have not been previously disqualified from receiving SNAP benefits, DHR does not regularly utilize either of these tools.

We recommended that FNS provide guidance to ensure that DHR is utilizing other sources of information, including PARIS and eDRS, and using regular edit checks to verify the information

in participant databases is accurate. FNS also needs to require DIIR to review the 1,639 individuals identified in this report and determine if payments were improper and recover, as appropriate. Generally, FNS agreed with our recommendations. We reached management decision on the report's three recommendations.

**Food and Nutrition Service**  
**Analysis of Louisiana's Supplemental Nutrition Assistance Program**  
**Eligibility Data**  
**Audit Report No. 27002-0003-13**  
**January 31, 2012**

The FNS SNAP, formerly known as the Food Stamp Program, provides monthly food assistance and nutrition for the health and wellbeing of more than 40 million low-income individuals. This report presents the results of our analysis of the Louisiana SNAP participant database to identify anomalies that may result in ineligible participants receiving SNAP benefits.

Of the 825,918 average monthly recipients in Louisiana as of September 2010, we found 2,337 recipients (.3 percent) who were deceased, were using deceased individuals' Social Security numbers (SSN), had invalid SSNs, were receiving duplicate benefits in Louisiana, exceeded income requirements, or were receiving benefits simultaneously with one of five nearby States. While Louisiana's Department of Children and Family Services (DCFS) has taken several steps to safeguard against potential fraud, waste, and abuse, there is still some opportunity for improvement. DCFS does not check for deceased participants, nor does it perform some edit checks that would help ensure that the participant information that is entered is accurate. Also, although DCFS uses the PARIS database to check for duplicate enrollment across States, this system does not include all participants nationwide because FNS does not require States to participate in PARIS or to check for interstate participation. In all, the 2,337 participants whose eligibility should have been researched, cause us to question approximately \$303,273 in benefits per month, based on the average monthly amount a recipient receives in Louisiana.

We recommended that FNS provide guidance to ensure that DCFS uses a comprehensive, national Social Security Administration (SSA) database to perform its death matches and SSN verifications. FNS should also provide guidance for DCFS to utilize regular edit checks to verify the information in participant databases is accurate. In addition, FNS needs to require DCFS to review the 2,337 individuals identified in this report and determine if those participants have received improper payments, and recover, as appropriate. Generally, FNS agreed with our recommendations. We reached management decision on the report's three recommendations.

**Food and Nutrition Service**  
**Analysis of Mississippi's Supplemental Nutrition Assistance Program**  
**Eligibility Data**  
**Audit Report No. 27002-0005-13**  
**January 31, 2012**

The FNS SNAP provides monthly food assistance and nutrition for the health and well-being of more than 40 million low-income individuals. This report presents the results of our analysis of the Mississippi SNAP participant database to identify anomalies that may result in ineligible participants receiving SNAP benefits.

Of the 575,674 average monthly recipients in Mississippi as of March 2011, we found 1,009 (.2 percent) recipients who were deceased, were using deceased individuals' SSNs, had invalid SSNs, were receiving benefits simultaneously from one of five nearby States, or were listed in the eDRS as previously disqualified from receiving SNAP benefits.

The Mississippi Department of Human Services (MDHS), which administers SNAP, explained that these issues occurred because it did not have a process in place to obtain the death dates for deceased individuals from the SSA. Additionally, MDHS does not perform some edit checks that would help ensure that the entered participant information is accurate to prevent errors, such as invalid SSNs. Also, although MDHS uses the PARIS database to check for duplicate enrollment across States, this system does not include all participants nationwide. Furthermore, although MDHS enters disqualified recipient information into eDRS, FNS does not always require States to check an applicant's status. In all, the 1,009 participants whose eligibility should have been researched cause us to question approximately \$123,643 in benefits per month, based on the average monthly amount a recipient receives in Mississippi.

We recommended that FNS should ensure that MDHS regularly performs checks to determine whether information in participant databases is accurate and complete, and obtain information, such as death dates, from SSA. FNS also needs to require MDHS to review the 1,009 individuals identified in this report and determine if those participants have received improper payments and to recover any improper payments, as appropriate. Generally, FNS agreed with our recommendations. We reached management decision on the report's three recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, February 13, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report.

**Investigative Activities**

Nothing to report.

## **Audit**

### **Forest Service American Recovery and Reinvestment Act – Forest Service Capital Improvement and Maintenance Projects Roads, Bridges, and Related Watersheds Audit Report 08703-0003-SF**

The American Recovery and Reinvestment Act of 2009 (Recovery Act) awarded the Forest Service (FS) \$272 million for road maintenance and decommissioning, bridge maintenance and decommissioning, and related watershed restoration and ecosystem enhancement. The U.S. Department of Agriculture's Office of Inspector General (OIG) initiated this audit to determine whether FS complied with laws and regulations related to the funding, selected road projects that met requirements, completed projects timely and effectively, and supported reported information.

Based on our statistical sample of project contracts, we found that FS generally complied with Recovery Act requirements and effectively completed the projects we reviewed, with three exceptions. We determined that 148 of 795 contracts (19 percent) did not fully comply with procurement requirements. Because contracting officers or procurement templates did not always adhere to updated requirements, FS increased the risk that contractors who received contracts worth at least \$63 million may not complete them to Recovery Act specifications. We also determined that four employees erroneously charged administrative costs of \$21,458 to Recovery Act job codes while working on unrelated projects. Finally, we found that FS inaccurately reported accomplishments for 11 of the 96 contracts and agreements because personnel made inadvertent errors, such as transcription and data entry errors. As a result, FS did not fully meet the transparency objective of the Recovery Act.

We recommend that the agency remind personnel to publicize and verify information, and ensure that contracts are in accord with specifications. In addition, we recommend that the agency emphasize the importance of charging time correctly and correct errors in accomplishment reports. We have reached management decision on our seven recommendations, with one exception. FS disagrees that its accomplishment reports need adjusting because the reporting process is accurate and complies with policy. OIG clarified that we are not taking exception to the policy. FS needs to document that errors noted above have been corrected.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Tuesday, February 21, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Preparations are being made for the fiscal year 2013 Budget hearing before the House Agriculture Appropriations Subcommittee. The tentative date for testimony by Inspector General Phyllis Fong is February 29. Inspector General Fong will be briefing the Senate Agriculture Appropriations Committee on February 22.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

(b)(5)



*Farm Service Agency*

(b)(5)





(b)(5)

**Risk Management Agency**

(b)(5)

**Investigative Activities**

Nothing to report.

## Audit

### **Forest Service Acquisition of Information Technology Software/Hardware Audit Report 08501-0001-Tc February 13, 2012**

Forest Service (FS) invests in information technology (IT) to support the agency's mission of sustaining the Nation's forests and grasslands. With thousands of locations to interconnect (e.g., regional offices, national forests, and ranger stations) and extensive data elements collected and processed for reporting and decision making (e.g., land management, recreation, research, and operational analysis), FS reported that it spent \$670 million for IT projects during fiscal years 2007 through 2009. In light of the mission-critical role and the funding involved, we evaluated how FS acquires and reports on these IT projects, which FS refers to as "investments." Generally, we found that FS needs to ensure that these acquisitions are compatible and aligned with broader departmental and Federal requirements and priorities. Specifically, FS can improve how it (1) selects IT projects for acquisition, (2) complies with the Department's acquisition approval requirements, (3) enhances the integrity of cost and performance data submitted for oversight review, and (4) ensures that it accurately reports the performance of its IT acquisitions.

We recommend that FS document the use of required criteria for selecting IT investments; coordinate with the U.S. Department of Agriculture's Office of the Chief Information Officer to comply with the Department's acquisition approval request requirements; and develop and implement written guidance defining how and when to compile, support, and maintain IT investment cost and performance information for the Office of Management and Budget business case package. We also recommend that the agency institute regular training in performance measure development, beyond the training it has already provided. FS generally agreed with the findings and recommendations, as well as the need to address these issues. We have accepted management decision on all recommendations.

### **Food and Nutrition Service American Recovery and Reinvestment Act National School Lunch Program Equipment Grants 27703-0001-HQ Issued February 14, 2012**

The American Recovery and Reinvestment Act (Recovery Act) allocated \$100 million in grant funds to the National School Lunch Program. These grants allowed schools to purchase and renovate their food service equipment. Our audit evaluated Food and Nutrition Service's (FNS) national and regional oversight of the grants, focusing on the effectiveness of controls. Based on our review of 11 school food authorities (SFA) in 5 States, we found that FNS' national office did not create adequate, proactive controls to ensure that grants were awarded based on Recovery Act criteria and accurate data, and did not ensure timely reporting on Recovery.gov. We recommended that FNS continue to update and implement adequate, proactive controls for its

standard competitive grant award processes, identifying areas that can be strengthened. During the course of our review, FNS took effective measures to correct the reporting issue. FNS concurred with our recommendation.

**Rural Development  
American Recovery and Reinvestment Act –  
Business and Industry Guaranteed Loans – Phase 2  
Audit Report 34703-0002-Te  
February 13, 2012**

The American Recovery and Reinvestment Act of 2009 provided Rural Development \$130 million in budget authority for its Business and Industry (B&I) Guaranteed Loan Program. With the resulting lending level of approximately \$1.6 billion, Rural Development guaranteed B&I loans in rural communities to bolster the existing credit structure in these communities and to provide lasting community benefits. The Office of Inspector General initiated this audit to assess the effectiveness of Rural Development's internal controls over eligibility, prioritization, and outreach.

Overall, we concluded that Rural Development implemented an effective outreach program, which ensured that all available funds were obligated. However, through our analysis of 55 statistically sampled loans, spread across 27 States, we determined that Rural Development assigned incorrect priority rankings to 68 percent of applications, and reviewed 65 percent of requests inadequately. Due to deficiencies in instructions, the agency awarded higher priority to some loans erroneously and impaired its ability to identify potentially marginal or substandard loans before approval, which would incur higher financial obligations if the borrowers default. We also identified that, as a result of inadequate reviews, Rural Development awarded guarantees to at least two loans that do not fully comply with eligibility regulations, and obligated at least \$6.2 million that should not have been approved.

We recommend that Rural Development improve instructions and provide training in support of those instructions, so that it can operate the B&I Guaranteed Loan Program more effectively. Rural Development generally agreed with our recommendations as presented in the report, and has issued additional guidance and proposed regulation enhancements and training.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, February 27, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to Report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Nothing to report.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**30-60 Day Look Ahead**

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
/s/ Phyllis K. Fong

**Monday, March 5, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Inspector General Phyllis Fong will testify before the Committee on Oversight and Government Reform on Thursday, March 8, 2012. The hearing will examine issues surrounding the U.S. Department of Agriculture's efforts to combat fraud in the Supplemental Nutrition Assistance Program (SNAP).

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service (FNS)**

(b)(5)

(b)(5)

**Risk Management Agency (RMA)**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong /S/**

**Monday, March 12, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

*Animal and Plant Health Inspection Service (APHIS)*

(b)(5)

(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)



(b)(5)



**Rural Housing Service (RHS)**

(b)(5)



**Investigative Activities**

Nothing to report.

**Audit**

**Agricultural Marketing Service  
National Organic Program – Organic Milk  
Audit Report 01601-0001-Te  
Issued: February 27, 2012**

The United States Department of Agriculture's (USDA) Agricultural Marketing Service (AMS) operates the National Organic Program (NOP) to develop, implement, and administer national standards governing the marketing of organic agricultural products and to assure consumers that such products meet consistent standards. Given the increasing economic importance of AMS' oversight of organic agricultural commodities—sales in organic dairy products, in particular, have grown more than 23 percent from 2000 to 2008, and in 2010 totaled approximately

\$3.9 billion—the Office of Inspector General initiated this audit to determine whether milk marketed as organic meets NOP’s standards. We found that AMS can take steps to better ensure that consumers who choose to pay a premium for organic milk are receiving the high-quality product they wish to purchase. Specifically, NOP needs to develop guidance for certifying agents regarding detection of genetically modified feed and forage, provide greater transparency in its yearly list of USDA certified organic operations, ensure that certifying agents (the organizations that verify production and handling practices meet established organic standards) are adequately addressing milk transporter responsibilities in organic system plans, and develop guidance for certifying agents on conducting unannounced inspections. By taking these actions, AMS can promote greater confidence that milk labeled as “USDA Organic” meets the standards consumers expect. In its written response to the official draft, dated February 16, 2012, AMS generally concurred with the audit findings and recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**30-60 Day Look Ahead**

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, March 19, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Investigative Activities

Farm Service Agency (FSA)

(b)(5)

*Food and Nutrition Service (FNS)*

(b)(5)



*Risk Management Agency (RMA)*

(b)(5)



**Audit**

**Farm Service Agency  
Supplemental Revenue Assistance Payment Program – American Recovery and  
Reinvestment Act of 2009  
Issuance Date: March 12, 2012**

(b)(5)



(b)(5)

**Agricultural Marketing Service  
Oversight of Federally Authorized Research & Promotion Board Activities  
Audit Report 01099-0032-Hy  
March 12, 2012**

Subsequent to an Office of Inspector General (OIG) Investigative report and a request from the Agricultural Marketing Service's (AMS) former Administrator, we initiated an audit of AMS. AMS oversees the activities of the various research and promotion boards that producers, growers, and other stakeholders have created for agricultural commodities. We evaluated AMS' oversight of the various boards by reviewing the internal controls AMS established to oversee the boards' activities.

We concluded that AMS could strengthen internal controls related to its oversight of board activities. Specifically, it needed to improve the guidelines describing AMS' oversight policies and procedures, as they lacked information that would facilitate oversight. Prior to November 2010, AMS had not provided sufficient clarity about the various roles and responsibilities it had in overseeing checkoff funds. In addition, AMS did not always ensure that boards provided critical information needed to accurately assess their activities. The revised guidelines that AMS released in November 2010 clarified the agency's oversight role by reinforcing its management reviews of research and promotion boards, and strengthening policies on various administrative functions, among other improvements. We recommend that AMS could further improve its processes by developing standard operating procedures to ensure consistency in staff oversight responsibilities. Furthermore, we recommend that AMS develop and implement periodic internal reviews of the agency's program areas that oversee the boards in order to ensure they are complying with requirements. AMS agreed with our findings and recommendations. We have accepted management decision on both of our recommendations.

**U.S. Department of Agriculture**  
**Fiscal Year 2011 Improper Payments Elimination and Recovery Act of 2010**  
**Compliance Review**  
**Audit Number: 50024-0001-11**  
**March 14, 2012**

The U.S. Department of Agriculture (USDA) has reported to Congress that several of its 16 “high risk” programs have considerably reduced their improper payment rates. In fiscal year 2009, USDA estimated that, overall, these programs made 5.92 percent of payments in error, and reduced that rate to 5.37 percent by 2010. With Congress’ enactment of the Improper Payments Elimination and Recovery Act of 2010 (IPERA), efforts to report, reduce, monitor, and resolve underlying payment problems have intensified. IPERA requires the Office of Inspector General to determine whether USDA was compliant with IPERA annually, starting with fiscal year 2011.

When we evaluated the improper payment information the Office of the Chief Financial Officer (OCFO) reports annually for USDA, we found that USDA did not fully comply with four of seven requirements. USDA did not always report estimates for high-risk programs, report complete information about programmatic corrective actions, meet annual reduction targets, and report error rates below specific thresholds. Although individual programs’ non-compliance occurred for various reasons, USDA’s overall non-compliance occurred because OCFO has not fully developed its reporting process to ensure that it reports all required information and that USDA meets its reduction targets. To be compliant, USDA needs to address problems related to the way that some component agencies evaluated and categorized information. Because internal controls over USDA’s improper payment reporting have not been fully developed, USDA’s improper estimates may be understated, and USDA may have provided inaccurate information to Congress about its progress made to prevent and eventually eliminate improper payments. We recommend that OCFO enhance internal controls, including guidance, oversight, and second party reviews, over the improper payment reporting process. We have reached management decision on all recommendations in the report.

**Forest Service**  
**Evaluation of Forest Service’s Processes to Obtain and Grant Rights-of-Way and Easements**  
**Audit Number: 08601-0001-CH**  
**March 15, 2012**

One of the chief missions of the Forest Service is to sustain the health, diversity, and productivity of the Nation’s forests and grasslands. Forest Service and timber companies often share roads on national forest lands. With the passing of the Forest Roads and Trails Act (FRTA), Forest Service was given the authority to formalize agreements with timber companies on the maintenance and use of these shared roads. As part of our regular risk assessments and, upon receiving a Congressional request, the Department of Agriculture’s (USDA) Office of Inspector General (OIG) performed this audit to determine whether (1) Forest Service is properly acquiring and amending easements in accordance with laws and in Forest Service’s best interests and (2) considering the impacts to its programs due to future changes in land and rights-of-way and easement usage.

We determined that, while Forest Service personnel are properly granting and acquiring easements, they are not prepared to effectively address the issues arising from the sale of private forest land with FRTA easements for residential development and commercial use. While Forest Service cannot stop development on private land or restrict access to FRTA roads, it should assess risks, develop strategies to lessen the impacts of changing land use, and incorporate appropriate changes into the agency's planning rule and strategic plan. Further, to avoid confusion and dispute, Forest Service should make further efforts to implement a FRTA easement amendment, which would clarify rights and responsibilities before successor landowners come into possession of the land, and provide sufficient guidance to local field staff on how to address landowner disputes once the land has been sold. Finally, Forest Service should sufficiently oversee the cost share program, including performing necessary reviews and filling critical positions. We have reached management decision on 4 of the 7 recommendations. For the remaining three, Forest Service officials believe they have necessary goals, strategies, and processes in place to assess potential impact on national forest lands. We are awaiting a follow-up response before reaching management decision.

#### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**Monday, March 26, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service (FNS)

(b)(5)



**Investigative Activities**

Nothing to report.

**Audit**

**Office of the Chief Information Officer  
International Technology Services Selected Controls  
Review – 88501-0001-IT  
Issued March 20, 2012**

The Office of the Chief Information Officer (OCIO)/International Technology Services (ITS) provides information technology (IT) services and support to security center agencies (SCAs) Departmentwide. One of ITS' projects, the *Service Center Modernization Initiative*, emphasizes replacing aging business and technology systems through IT convergence, allowing SCAs to share data among themselves and their customers, and to streamline business processes.

We performed this audit to determine whether policies and procedures in place over this initiative were suitably designed to provide reasonable assurance that the specified controls were complied with and that they were operating effectively.

We found that, although ITS has made improvements in documenting policies and procedures, they were either not being followed, or were lacking in critical areas, such as scanning computer systems for known vulnerabilities, disaster recovery, physical security, and user access to computer systems. Many of the exceptions identified in this report were caused by a lack of communication and oversight between ITS and the SCAs. This occurred because service level agreements between ITS and the SCAs did not meet National Institute of Standards and Technology guidelines, such as defining ITS' and the SCAs' roles and responsibilities. As a result, the network and systems may be exploitable, jeopardizing the integrity of the SCAs' data and ITS' system resources. To address these weaknesses, we recommended that ITS develop and implement effective controls over security scanning, access authorization, and two-factor authentication. The agency agreed with our recommendations.

**Food and Nutrition Service**  
**Analysis of Texas' Supplemental Nutrition Assistance Program Eligibility Data**  
**Audit Report 27002-0006-13**  
**Issued March 21, 2012**

We analyzed the Texas Supplemental Nutrition Assistance Program (SNAP) participant database to identify anomalies that may result in ineligible participants receiving SNAP benefits. Of Texas' 3,551,581 average monthly recipients in fiscal year 2010, we found 4,096 (.12 percent) recipients who were deceased or were using a deceased individual's Social Security Number (SSN), were receiving duplicate benefits from the State of Texas, were receiving benefits simultaneously with five nearby States, or were listed in the Electronic Disqualified Recipient system (eDRS). This occurred because Texas' Health and Human Services Commission (HHSC) does not perform all checks necessary to ensure SNAP benefits go only to those who are eligible. Specifically, it does not perform some edit checks that would help ensure that the participant information that is entered is accurate. Though HHSC uses a database to check for duplicate enrollment across States, the database does not include all participants nationwide because States are not required to participate or to check for duplicate enrollment. Also, the Food and Nutrition Service (FNS) does not require States to use the eDRS system in all cases.

In all, we questioned approximately \$523,551 in benefits per month to participants we identified, based on the average monthly amount a recipient receives in Texas. We recommended that FNS require HHSC to regularly perform checks to ensure information in participant databases is accurate and complete. Finally, FNS should require HHSC to review the 4,096 individuals identified in this report to determine if participants have received improper payments and recover any improper payments as appropriate. Generally, the agency agreed. We have reached management decision on the report's two recommendations.

**Food and Nutrition Service**  
**Analysis of Missouri's Supplemental Nutrition Assistance Program Eligibility Data**  
**Audit Report 27002-0007-13**  
**Issued March 21, 2012**

We analyzed the Missouri SNAP participant database to identify anomalies that may result in ineligible participants receiving SNAP benefits. Of the 901,349 average monthly recipients in Missouri as of September 2010, we found 766 recipients (.08 percent) who were deceased, were using a deceased individual's SSN, had invalid SSNs, were receiving duplicate benefits in Missouri, were receiving benefits simultaneously with one of six other selected States, or were listed in the eDRS. We also found 664 households that exceeded SNAP gross and net income limitations. Missouri's Department of Social Services (DSS) reviewed these cases and found that, while 186 households were eligible, 113 households wrongly exceeded Federal limits. This occurred because DSS does not perform all checks necessary to ensure SNAP benefits go only to those who are eligible, including edit check for data accuracy. Though DSS uses a database to check for duplicate enrollment across States, the database does not include all participants

nationwide because States are not required to participate or to check for duplicate enrollment. Also, FNS does not require States to use the eDRS system in all cases.

In all, we questioned approximately \$229,083 in benefits per month to participants we identified, based on the average monthly amount a recipient receives in Missouri. We recommended that FNS should require DSS to regularly perform checks to determine whether information in participant databases is accurate and complete. FNS also needs to require DSS to review the 766 individuals and the unverified 365 of the 664 households identified in this report, determine if participants have received improper payments, and recover as appropriate. In general, the agency agreed, and we have reached management decision on this report's recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, April 2, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service (FNS)

(b)(5)
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(b)(5)



*Forest Service (FS)*

(b)(5)



(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, April 9, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Investigative Activities**

Nothing to report.

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

(b)(5)

**Forest Service (FS)**

(b)(5)

**Audit**

**Food Safety Inspection Service  
Review of Appeals of Humane Handling Noncompliance Records  
Audit 24601-0002-31  
Issued April 5, 2012**

The U.S. Department of Agriculture's (USDA) Food Safety Inspection Service (FSIS) is charged with enforcing the Humane Methods of Slaughter Act, which requires that livestock be slaughtered only by humane methods. On December 22, 2010, the USDA Under Secretary for Food Safety requested the Office of Inspector General (OIG) review humane handling noncompliance records and other enforcement actions that were subsequently appealed by plant management to higher FSIS management levels. Based on our review of the 138 humane handling noncompliance records and the 13 enforcement actions that establishments appealed, we determined that FSIS' procedures were adequate and FSIS followed its established procedures to appropriately address the appeals we reviewed. Our analysis of the data also did not reveal any negative trends or systemic problems related to inconsistent treatment or unfounded actions to grant or deny appeals in particular establishments across the country.

We did find that FSIS can improve how it tracks and monitors appeals of humane handling noncompliance records by citing the regulatory justification for any appeals that it grants; ensuring that noncompliance records are written adequately to support the violation, and tracking the time it takes to process appeals. OIG acknowledges that FSIS has taken recent steps to improve inspectors' understanding of humane handling requirements and educate them on the procedures to follow when a noncompliance is observed. We are therefore making no specific recommendations in this report.

We do suggest, however, that FSIS consider how Public Health Information System could be utilized to track and monitor appeals of humane handling noncompliance records to ensure that (1) decisions to grant appeals are supported by regulation, (2) noncompliance records are written adequately to support observed violations, and (3) FSIS responds timely to appeals.



**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, April 16, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Investigative Activities

Agricultural Marketing Service (AMS)

(b)(5)

(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

### 30-60 Day Look Ahead

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, April 16, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Inspector General Phyllis Fong will speak at the Assistant Inspectors General (AIGI) for Investigations Annual Training Program which will be held in Washington, DC, April 24-26, 2012. She will be providing an overview of the Council of the Inspectors General on Integrity and Efficiency to the investigative community.

**30-60 Day Look Ahead**

Nothing to report.

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service (FNS)**

(b)(5)

(b)(5)



*Agricultural Marketing Service*

(b)(5)



**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**30-60 Day Look Ahead**

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**Monday, April 23, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Investigative Activities

Food and Nutrition Service (FNS)

(b)(5)





(b)(5)

**Forest Service (FS)**

(b)(5)

**Audit**

**Office of the Chief Information Officer  
USDA's Configuration, Management, and Security over Domain Name System Servers,  
Audit Report 50501-0001-12  
Issued April 19, 2012**

The Office of the Chief Information Officer (OCIO) coordinates information technology within the Department. Like other organizations, USDA and its agencies rely on Domain Name System (DNS) servers to route internet traffic through the telecommunications network. DNS is a data communication mechanism that translates numerical addresses into easy-to-understand Web site names, and is susceptible to vulnerabilities. We conducted an audit to evaluate the Department's management and security controls over DNS. We found that USDA's security over DNS did not meet all required standards. OCIO generally agreed with our recommendations and is taking action to correct the issues.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, April 30, 2012**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

**Farm Service Agency (FSA)**

(b)(5)

(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)

## **Audit**

### **Food and Nutrition Service Analysis of New Jersey's Supplemental Nutrition Assistance Program (SNAP) Eligibility Data Report 27002-0009-13 Issued April 19, 2012**

We analyzed the New Jersey Supplemental Nutrition Assistance Program (SNAP) participant database to identify anomalies that might result in ineligible participants receiving SNAP benefits. Of the 622,022 average monthly recipients in New Jersey during fiscal year 2010, we found 4,123 (.7 percent) recipients who were deceased, were using a deceased individual's Social Security Number (SSN), had invalid SSNs, were receiving duplicate benefits from the State of New Jersey, were receiving benefits simultaneously from one of two nearby States, or were listed in the Electronic Disqualified Recipient system as being disqualified from receiving SNAP benefits. This occurred because New Jersey's Division of Family Development (DFD) does not perform all checks necessary to help ensure SNAP benefits go only to those who are eligible.

In all, the 4,123 participants whose eligibility should have been researched, cause us to question approximately \$569,098 in benefits per month, based on the average monthly amount a recipient receives in New Jersey. We recommend that the Food and Nutrition Service (FNS) require DFD to perform the death match timely and take action on each participant identified, and regularly perform checks to determine whether information in participant databases is accurate and complete. FNS also needs to require DFD to review the 4,123 individuals identified in this report, determine if participants have received improper payments, and recover, as appropriate.

FNS concurs with our recommendations and is actively engaged in a dialogue with regional offices and with States regarding policies and technical assistance tools, which can strengthen integrity to an even greater extent. New Jersey has committed to following up on the 4,123 individuals identified and estimates completion by October 31, 2012.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, May 7, 2012**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

On May 1, 2012, Inspector General Phyllis K. Fong was invited to appear before the Committee on Oversight and Government Reform. The purpose of the hearing is to examine how the community of Federal Inspectors General is short-handed due to the absence of permanent leadership in several agencies.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

Nothing to report.

## **Audit**

### **Assessment of Food Safety and Inspection Service Inspection Personnel Shortages in Processing Establishments Audit Report 24601-0011-Hy April 30, 2012**

We assessed whether the Food Safety and Inspection Service (FSIS) had sufficient inspection personnel to adequately monitor establishments that process meat and poultry products. We were unable to evaluate the impact of inspection personnel shortages, due to certain information not being tracked by FSIS. However, we examined FSIS' recruitment and retention plans, and found that the plans generally met the Office of Personnel Management's guidelines. We also found that inspectors were not always able to comply with FSIS's policy to visit processing establishments at least once per day and per operating shift. Although unexpected events, such as inclement weather occur, we noted that FSIS had not established mitigating procedures for inspectors to use during subsequent visits. We also identified that FSIS lacked management controls to deter inspectors from misreporting their actions during inspections. Inspectors can misstate the satisfactory completion of procedures in the agency's data system with little risk of detection. FSIS had also not implemented controls, such as unannounced supervisory reviews and requirements to document specific information to deter inspectors from misstating inspection results.

We recommended that FSIS develop mitigating procedures, enhance its ability to track and follow up after missed procedures, perform unannounced supervisory visits of inspectors, and enhance its data system. FSIS generally agreed with our recommendations.

#### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, May 14, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

Nothing to report.

## Audit

**Forest Service  
American Recovery and Reinvestment Act Forest Service Capital Improvement and  
Maintenance Projects Abandoned Mine Remediation  
Audit Report 08703-0006-SF  
Issued May 3, 2012**

The American Recovery and Reinvestment Act of 2009 (Recovery Act) authorized \$650 million for Forest Service (FS) to implement capital improvement and maintenance (CIM) program projects, of which \$22.7 million was approved for the remediation of abandoned mines on National Forest System land. Ultimately, these Recovery Act funds were used to assess and mitigate safety hazards and environmental damage at 16 abandoned mine remediation projects on FS lands in 7 States. OIG reviewed 12 of the 16 projects to determine whether FS and subsequent recipients of Recovery Act funds complied with laws and regulations pertaining to the Recovery Act funding.

The Recovery Act required that FS add special terms and provisions to enhance accountability and transparency of Recovery Act funds, and the agency responded by establishing four specialized Economic Recovery Operations Centers (EROCs) that were responsible for executing and managing FS' Recovery Act awards in a consistent manner agencywide. However, we found that FS did not always include required Recovery Act provisions in the contracts it used. For example, the contracts lacked the provision requiring contractors to comply with all applicable Recovery Act requirements and stating FS' right to suspend or terminate a contract or debar a contractor for failure to comply with Recovery Act requirements. This occurred because FS did not have a standard template specific to Recovery Act contracts. Also, in a prior Fast Report, we reported that contracting leads at EROCs were not performing reviews of 10 percent of their contracts, as required. Since the time of our Fast Report, FS has disbanded the EROCs and shifted the responsibility to conduct quality assurance reviews to the regions. However, we found that EROS did not send any guidance to the regions on how to conduct quality assurance reviews on Recovery Act contracts. To address these issues, we have previously recommended that FS immediately modify its contract templates to include the necessary Recovery Act provisions. FS concurred with our recommendation and stated that it had already taken corrective action. We also recommend that FS develop a supplement to the standardized plan template, informing the regions of their responsibility for conducting quality assurance reviews for all Recovery Act contracts.

### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong /S/**

**Monday, May 21, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency**

(b)(5)



(b)(5)

**Food and Nutrition Service**

(b)(5)

**Forest Service**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

**Farm Service Agency  
Fiscal Year 2011 Farm Service Agency Farm Assistance Program Payments  
03401-0001-11  
Issued May 14, 2012**

As part of the Office of Inspector General's (OIG) audit of the Department of Agriculture's fiscal year (FY) 2010 and 2011 consolidated financial statements, OIG reviewed a statistical sample of 122 payments, totaling \$5.2 million, that the Farm Service Agency (FSA) made in FY 2011. We identified errors in 14 of the payments, and determined the resulting \$54,000 in improper payments occurred because FSA's controls over the manual payment calculation process used for the Supplemental Revenue Assistance Payments Program were not effective. We estimate that FSA made improper payments totaling about \$28 million, a figure lower than in FY 2010. We recommend that FSA further strengthen controls to review data for input errors. FSA provided a response on April 25, 2012, agreeing to take corrective action to address the recommendation.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Tuesday, May 29, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Farm Service Agency

(b)(5)



**Food Safety and Inspection Service**

(b)(5)



**Audit**

**Natural Resources Conservation Service  
Fiscal Year 2011 Improper Payment Review  
Audit Report 10024-0001-11  
May 18, 2012**

Natural Resources Conservation Service (NRCS) must estimate and report its improper payments under the Improper Payments Elimination and Recovery Act of 2010 (IPERA), as well as report high-dollar overpayments associated with these programs under an Executive Order. NRCS has previously determined that financial assistance payments under its Farm Security and Rural Investment Act (FSRI) programs are at a high-risk for improper payments and, therefore, reports on these payments. Our review evaluated NRCS' management controls to identify and report improper payments as required. Eleven of the 17 payments we selected for review did not have sufficient documentation to support the participant's eligibility, and the remaining 6 had inconsistent documentation reviews. In particular, seven were subject to no eligibility review. This occurred because, apart from developing a general IPERA review form, NRCS had not developed formal guidance for the IPERA review process. Further, the review form was used for all FSRI programs, yet it did not reflect the unique document requirements of each. As a result of these issues, we questioned the accuracy of NRCS' fiscal year (FY) 2011 improper payment estimate of \$11 million, and believe that it is understated by at least \$9 million.

We also found that NRCS did not develop a dependable and centralized method for recording, tracking, and monitoring improper payments. Instead, NRCS used multiple manual methods.

As a result, NRCS' national office could not effectively monitor improper payments to ensure accurate reporting and tracking. Similarly, NRCS did not have an effective system in place to track its high-dollar overpayments, as required by the Executive Order. Even though a previous audit identified high-dollar overpayments as an issue, NRCS did not report any high-dollar overpayments in FY 2010 and the first quarter of FY 2011. NRCS was developing, but had not yet completed, a formal process to identify and report high-dollar overpayments by the time it was required to report such information. As a result, NRCS management was unaware of the magnitude of high-dollar overpayments and could not take actions to reduce whatever overpayments may have occurred.

We recommended NRCS develop and implement formal guidance for the annual IPERA review process and a quality assurance process to review State office document submissions and contractors' work. NRCS should also implement permanent processes for identifying, tracking, and reporting improper payments. NRCS agreed with the findings and recommendations, and the Office of Inspector General accepted management decision on all recommendations upon report issuance.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong.*

**Monday, June 4, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**  
**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

**Farm Service Agency**

(b)(5)



(b)(5)

**Food and Nutrition Service**

(b)(5)



**Audit**

**Farm Service Agency  
Biomass Conversion Assistance Program: Collection, Harvest, Storage, and Transportation  
Matching Payments Program  
03601-0028-KC  
Issued May 30, 2012**

In the 2008 Farm Bill, Congress established the Biomass Crop Assistance Program, a program that, in part, provided matching payments to the owners of renewable biomass to encourage them to collect, harvest, store, and transport (CHST) such material to a conversion facility that would produce heat, power, bio-based products, or advanced biofuels. In 2009, the program was emphasized as part of an effort to decrease the Nation's dependency on foreign oil. Accordingly, the Department of Agriculture (USDA) expedited the program's implementation and began providing matching payments for the cost of CHST biomass. In response to a Farm Service Agency (FSA) request for an audit, the Office of Inspector General (OIG) reviewed \$30 million of \$243 million in CHST matching payments and found that, while USDA implemented the CHST in accordance with statutory requirements and in compliance with the directed timeframe, the program was launched without sufficient management control structures needed to provide clear program direction and ensure program accountability. Without sufficient management controls, USDA can have little confidence that the funds expended during this first phase of the program contributed to expanding the use of new biomass sources for biofuels, or helped decrease dependence on foreign oil.

OIG also found that, without the management control structures that typically accompany effective Federal programs, USDA county office employees often made errors and inconsistently implemented the program. In total, OIG questioned over \$400,000 in payments issued to biomass material owners due to these various errors. OIG recommended that USDA take steps to establish an adequate management control structure for the program that will provide clear program direction, ensure program accountability, and resolve the errors and inconsistencies we observed at the field level. This report includes findings addressed in two prior Fast Reports. FSA agreed with all recommendations in the report and we were able to reach management decision on 21 of the 26 recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, June 11, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Rural Housing Service**

(b)(5)

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
/s/ Phyllis K. Fong

**Monday, June 18, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

**Food and Nutrition Service**

(b)(5)

(b)(5)



**Farm Service Agency**

(b)(5)



**American Recovery and Reinvestment Act Investigative Activities**

(b)(5)



## **Audit**

**Agricultural Research Service  
Procurement Oversight Audit of National Center for Agricultural Utilization  
Research Contract  
02703-0007-HQ  
Issued June 7, 2012**

The Department of Agriculture (USDA) Office of Inspector General (OIG) contracted with Regis & Associates, PC, to assist it in ensuring that the ARS Recovery Act procurement activities for buildings and facilities' critical deferred maintenance projects are performed in accordance with Federal Acquisition Regulations, Office of Management and Budget's Recovery Act guidance, and USDA directives. ARS contracted with Bernard Johnson Corporation for architect and engineering services for the redesign and construction management for the Renovation of the Center Wing of the National Center for Agricultural Utilization Research, located in Peoria, Illinois. The scope of this audit included a review of the contractor's responsibility determination, task order award modifications, performance monitoring, invoice processing and payments, and Recovery Act reporting.

In this review, the auditors noted that ARS' Facilities Division applied Recovery Act funds for payment of non-Recovery Act items and did not include the adequate release of claims language in contract modifications. ARS agreed to take the necessary measures to ensure that Recovery Act funds are used for Recovery Act items and to correct the modifications by adding the appropriate release of claims language. The auditors also noted that ARS did not publicize modification award notices in a timely manner on FedBizOpps.gov. This issue was previously reported to ARS in audit number 02703-05-HQ. As a result, no additional recommendation was made.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ David R. Gray, for.*

**Monday, June 25, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Agriculture Marketing Service**

(b)(5)



**Food and Nutrition Service**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

**Agricultural Research Service  
Procurement Oversight Audit of Red River Valley Agricultural Research Center Contract  
02703-0002-10  
Issued June 18, 2012**

The Department of Agriculture's (USDA) Office of Inspector General contracted with Regis & Associates, PC, to assist it in ensuring that the Agricultural Research Service's (ARS) Recovery Act procurement activities for buildings and facilities' critical deferred maintenance projects are performed in accordance with Federal Acquisition Regulations, Office of Management and Budget Recovery Act guidance, and USDA's directives. ARS awarded a sole-source, negotiated, firm fixed-price construction contract under the 8(a) Business Development Program to Pro-Mark Services, Inc., to replace laboratory facilities' heating, ventilating, and air conditioning systems and components at the Red River Valley Agricultural Research Center located in Fargo, North Dakota. The scope of this audit included a review of the contractor's responsibility determination; processes for preparing and issuing the solicitation, contractor



selection, contract price determination, contract award, contract modification, contract performance monitoring; invoice processing and payments; and Recovery Act reporting.

The auditors found that an ARS contracting officer did not complete the required Conflict of Interest and Financial Disclosure statements in a timely manner and ARS did not adequately review information reported by the contractor on Recovery.gov. ARS agreed to take the necessary measures to inform procurement personnel to complete the Conflict of Interest and Financial Disclosure statements within the required timeframe and to ensure contractor reporting is sufficiently reviewed and accurately reported. The auditors also noted that ARS did not request a legal review of the solicitation. This issue was previously reported to ARS in audit number 02703-03-HQ. As a result, no additional recommendation was made.

**Farm Service Agency  
Farm Storage Facility Loan Program  
03601-0001-32  
Issued June 18, 2012**

The Department of Agriculture's (USDA) Farm Service Agency (FSA) operates the Farm Storage Facility Loan Program so that producers may have access to available funds for financing storage and handling facilities. Producers might use these loans to construct structures for grain, as well as hay, renewable biomass, fruits and vegetables, and cold storage facilities. Based on our review of how FSA approved and processed 30 loans (totaling \$4.89 million), as well as how the agency serviced 10 delinquent loans (totaling \$728,078), we found that FSA county employees did not always process, approve, and service these loans according to the agency's policies and procedures. These errors resulted in \$2.2 million in unsupported disbursements. Since FSA will soon be undergoing a major restructuring, intended to build a modern and efficient agency by consolidating offices and reducing staff, the Office of Inspector General recommended that FSA consider changing this loan program from a direct to a guaranteed program. This change would make it much easier to implement the program effectively with a reduced level of staffing. However, the Office of General Counsel advised that the program cannot be changed from a direct to a guaranteed program. Instead, FSA agreed to implement new policies and procedures to strengthen the oversight and accountability of the program, including providing additional training. We were able to reach management decision on four of the five recommendations in the report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*Signed by DAVID GRAY (DIG)*

**Monday, July 2, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Investigative Activities

Food and Nutrition Service

(b)(5)



(b)(5)

**Rural Business and Cooperative Service**

(b)(5)

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*Signed by David Gray*

**Monday, July 9, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**  
**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

**Food and Nutrition Service**

(b)(5)



(b)(5)

**Rural Business and Cooperative Service**

(b)(5)

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong.*

**Monday, July 16, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Investigative Activities

Animal and Plant Health Inspection Service

(b)(5)

**Food and Nutrition Service**

(b)(5)



**Audit**

**American Recovery and Reinvestment Act – Forest Service  
Forest Service Capital Improvement and Maintenance Projects –  
Facility Improvement, Maintenance, and Rehabilitation  
08703-0002-SF  
Issued July 3, 2012**

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided the Forest Service (FS) with \$650 million for Capital Improvement and Maintenance (CIM) projects, of which \$246 million was awarded for facility projects. Our audit objectives were to determine whether FS complied with laws and regulations pertaining to the Recovery Act, selected facility projects that met eligibility and program requirements, completed facility projects timely and effectively, and supported the information it reported for its performance measure for CIM...

We found that FS did not have adequate controls in place to ensure contracts met Recovery Act and other Federal laws and regulations, which we have noted in prior reports. For example, FS contracting officials did not adequately review contractors' payrolls and materials on some projects before issuing payments. In addition, some FS officials did not obtain the necessary supervisory authorization required to use their purchase cards. As a result of these control deficiencies, several projects violated Federal requirements without detection, two cardholders

made purchases exceeding the \$3,000 micro-purchase threshold, and contractors were not informed of their contractual requirements for the 17 contracts, totaling \$2.9 million. To address these weaknesses, FS needs to improve its monitoring of contractors' payrolls and materials, ensure they follow applicable laws and regulations, and issue specific guidance on how to do so. FS should also ensure its cardholders follow existing controls over the use of the purchase cards by issuing written guidance to remind all cardholders to obtain written authorization from a supervisor. FS should also issue written guidance to remind contracting officials to publicize pre-solicitation and award notices on the FedBizOpps Web site. FS concurred with the reported findings and recommendations.

**American Recovery and Reinvestment Act – Forest Service  
Capital Improvement and Maintenance Projects –  
Trail Maintenance and Decommissioning  
08703-0004-SF  
Issued July 6, 2012**

The American Recovery and Reinvestment Act (Recovery Act) provided the Forest Service (FS) with \$650 million for its Capital Improvement and Maintenance fund. FS allocated \$99 million of this funding to 90 trail maintenance and decommissioning projects (trail projects). We reviewed 24 of the 90 trail projects and determined that FS needs to take corrective action to address issues related to compliance with laws and regulations, as we previously reported to agency officials. Specifically, FS awarded a \$9 million youth employment grant with funds from three FS programs without specifying to the grantee the conditions associated with the use of each program's funds. FS personnel stated they overlooked the three different funding sources under the grant because it was quickly awarded. As a result, we found that 8 of 12 sub grants, totaling \$317,741, included activities unrelated to the three FS programs. FS also arbitrarily allocated over \$1.65 million of grant expenditures because the grantee was not required to track the expenditures to the three FS programs separately. We also found that FS program managers at two national forests did not adequately review payment requests from cooperators to ensure that project expenses claimed were for actual and allowable costs. Instead, program managers relied on the cooperators to submit accurate claims. As a result, FS overpaid \$64,096 in labor costs to a cooperator, and reimbursed another cooperator \$24,697 in questionable costs.

To address these issues, we recommend that FS should provide its grantee with specific direction on the use and tracking of program funds. FS also needs to recover all unallowable costs, and work with the grantee to allocate actual grant expenditures to the three FS programs. Finally, FS should also require its program managers to review supporting documentation to ensure payments to its cooperators are for actual and allowable costs. FS generally concurs with the report's findings and recommendations.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**Monday, July 23, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

**Farm Service Agency (FSA)**

(b)(5)



(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, July 30, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

**Food and Nutrition Service**

(b)(5)

(b)(5)

**Grain Inspection, Packers and Stockyards Administration**

(b)(5)

**Risk Management Agency**

(b)(5)

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*Signed Phyllis K. Fong*

**Monday, August 6, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Investigative Activities

Please see below.

## Audit

**Farm Service Agency  
Conservation Reserve Program - Soil Rental Rates  
03601-0051-Te  
Issued July 25, 2012**

The Conservation Reserve Program (CRP), which is administered by the Farm Service Agency (FSA), provides annual payments to farmers who agree to maintain conservation practices, such as establishing grass cover on farms to prevent soil erosion and reduce chemical runoff. In 2010, FSA signed contracts involving 4.3 million acres and annual payments, totaling \$200 million. Over the 10-year life of the contracts, FSA will pay more than \$2 billion. The Office of Inspector General (OIG) conducted this audit to determine whether FSA had effective controls to ensure that these payments were based on soil rental rates that were accurate and well supported. We found that FSA did not adequately ensure the reasonableness of its soil rental rates for the 39th signup. The agency did not use the most recent Natural Resources Conservation Service (NRCS) soil productivity factors and did not adhere to its policies and regulations for using the National Agricultural Statistics Service's data, which were established to ensure the reasonableness of county average rental rates when computing the soil rental rates. Due to these problems, OIG questioned \$12.7 million in unsupported payments (\$127 million over the 10-year life of the CRP contracts) and recommended that, for future CRP signups, FSA ensure that it uses the best available data from NRCS and require strong evidence be submitted for changes from NASS. FSA generally agreed with our recommendations.

### **AMERICAN RECOVERY AND REINVESTMENT ACT**

#### **American Recovery and Reinvestment Act (ARRA) Investigative Activities**

(b)(5)



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**Monday, August 20, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Inspector General (IG) Phyllis Fong will speak at the American Institute of Certified Public Accountants (AICPA) Government Accounting and Auditing Conference which will be held at the JW Marriott in Washington, D.C., on Monday, August 20, 2012. IG Phyllis Fong, co-presenting with Acting IG Lynne Halbrooks, Department of Defense, and IG Dan Levinson, Department of Health and Human Services will speak on Hot Topics in the Inspectors General Community.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Animal and Plant Health Inspection Service (APHIS)**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

**Migratory Bird Habitat Initiative: NRCS' Response to Issues  
Caused by the Deepwater Horizon Oil Spill**

**Audit Report 10704-0001-32**

**Issued August 9, 2012**

The Natural Resources Conservation Service (NRCS) created the Migratory Bird Habitat Initiative (MBHI) in response to the April 2010 oil spill in the Gulf of Mexico. NRCS ultimately obligated to provide approximately \$38.6 million through 1,900 contracts with landowners to implement conservation practices that create or enhance habitats and food sources for birds migrating to and through 470,000 acres of land in the oil-spill-affected region. Through reviews of MBHI in three of eight participating States, the Office of Inspector General (OIG) assessed whether agency controls were adequate to ensure contracted practices were properly established, and evaluated the performance measures the agency used to determine MBHI's overall effectiveness.

We determined that internal controls were generally adequate, with the exception of three issues. First, NRCS does not have controls in place to maximize conservation efforts, as NRCS currently allows payments for those efforts to duplicate efforts and payments from other non-Federal sources in excess of their average cost to implement. Because it did not reduce payments to avoid duplication, NRCS was unable to apply more than \$900,000 in program funds more widely and conserve an estimated 14,000 additional acres. Second, because NRCS does not have an effective control to detect if payment schedules used to develop contracts were consistent with the participants' eligibility for payment at rates reserved for historically underserved participants, NRCS improperly paid nearly \$61,700 and would have issued an additional \$157,000. Third, NRCS did not always perform required site visits to certify that



participants had completed conservation activities before it issued payments. NRCS made payments of over \$25,000 on 6 contracts before identifying that they were not in compliance.

We recommend that NRCS implement controls to better leverage limited resources and provide greater impact with future program funding, and to detect the use of payment schedules that do not correspond with a participant's status. We also recommend that NRCS correct payment errors. The agency agreed with four of our five recommendations, citing statutory and policy reasons for its disagreement that NRCS should implement controls for future programs to ensure NRCS does not participate in providing total payments of more than implementation costs. We have reached management decision on two recommendations, but further action is needed for management decision on the remaining three.

**Office of the Assistant Secretary for Civil Rights**  
**Review of the Office of the Assistant Secretary for Civil Rights' Oversight of**  
**Agreements Reached in Program Complaints**  
**Audit Report 60601-0001-23**  
**Issued August 9, 2012**

The Office of the Assistant Secretary for Civil Rights (OASCR) resolves civil rights complaints filed against the Department of Agriculture (USDA), closing an average of almost 1,000 program complaint cases per year since 2005. To assess OASCR's decision-making process for settling with complainants, the Office of Inspector General assessed the 15 cases closed through agreements between January 1, 2008, and March 31, 2011. Through these agreements, USDA awarded over \$10.5 million in damages to claimants.

With a recently reorganized office and efforts to improve case handling and reduce backlogs, OASCR has significantly improved processes and management of agreement case files. However, while our audit disclosed no issues with the decision-making process for conciliation agreements, we determined that OASCR needs to strengthen its procedures for settlement agreements, so that it can maintain current improvements, support its decisions, process cases timely, and report them accurately. OASCR has not always maintained documents in official case files to support its decisions, including documents to support decisions to provide compensatory damages and debt relief. Further, OASCR did not have procedures in place to prioritize cases brought under the Equal Credit Opportunity Act, although administrative settlements for such cases generally must be resolved within 2 year limitation periods. Additionally, OASCR's record-keeping system did not always accurately depict information related to settlement agreements. We recommend that OASCR develop and implement procedures for documenting settlement agreements to support that settling with complainants was an appropriate course of action, and to show that it awarded compensation appropriately. We also recommend that OASCR develop and implement procedures to prioritize and timely complete investigations of cases with time limitations. In addition, we recommend OASCR ensure its recordkeeping system contains accurate data by implementing reviews to verify it. We have reached management decision with OASCR on all five of our recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong** ...  
*/s/ David R. Gray/ for*

**Monday, August 27, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Investigative Activities

Food and Nutrition Service

(b)(5)

(b)(5)

**Rural Business-Cooperative Service**

(b)(5)

## Audit

**Animal and Plant Health Inspection Service  
Effectiveness of the Smuggling, Interdiction, and Trade Compliance Unit  
Report 33601-0012-CH  
Issued August 20, 2012**

The Smuggling, Interdiction and Trade Compliance (SITC) unit is part of the Animal and Plant Health Inspection Service's (APHIS) Plant Protection and Quarantine program. SITC's mission is to identify and prevent the unlawful entry and distribution of prohibited agricultural products that may harbor plant and animal pests, diseases, or invasive species.

In our review of SITC activities from fiscal year (FY) 2008 through FY 2011, we found that SITC's control environment did not include a system of management accountability in order to foster efficiency, adequacy, or accuracy in either achieving its core mission or in reporting its results. For example, we found that 90 percent of SITC's market surveys were not successful at either seizing a prohibited product or in generating a trace back to identify the importer of a prohibited product. Although SITC never established nationwide benchmarks in the interest of allowing SITC officers maximum flexibility in performing their duties, a high-level SITC official stated that the success rates we cited were surprisingly low. As a result, there is an increased risk that prohibited products would not be identified by its officers, and these products could move through the country and further spread foreign plant disease and pests that could devastate U.S. agriculture. APHIS agreed with all of our recommendations on this issue, and now has a meaningful plan of action to improve SITC results and management accountability.

We also found that SITC used an unapproved information technology (IT) system for 3 years without informing APHIS' IT division of its existence or ensuring that reports from that system were accurate and supported. We issued a Fast Report on the issue of the unapproved IT system in April 2011, and APHIS took immediate actions on our recommendations. However, SITC has not yet implemented the corrective actions necessary to ensure its reports to Congress are accurate and supported.

### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong /S/**

**Tuesday, September 4, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency**

(b)(5)



**Food and Nutrition Service**

(b)(5)



**Investigative Activities**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
/s/ David R. Gray/ for

**Monday, September 10, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Farm Service Agency

(b)(5)



(b)(5)

**Food and Nutrition Service**

(b)(5)

**Forest Service**

(b)(5)

**AMERICAN RECOVERY AND REINVESTMENT ACT.**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/S/ David Gray DIG*

**Monday, September 17, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Forest Service

(b)(5)



(b)(5)

**Risk Management Agency (RMA)**

(b)(5)

**Investigative Activities**

**Audit**

**Rural Development  
Rural Business-Cooperative Services  
Rural Business Enterprise Grants Recovery Act Controls  
Report 34703-0002-KC  
Issued September 5, 2012**

Under the Rural Business Enterprise Grant (RBEG) program, Rural Development helps fund projects that facilitate the development of small and emerging rural businesses. These grants are administered through Rural Business-Cooperative Services (RBS), under Rural Development. In 2009, the RBEG program received an additional \$20 million in Recovery Act funding. We found that for 49 percent of grants (totaling over \$5.3 million), because they did not always have sufficient time, Rural Development State and area offices ranked applicants' eligibility without obtaining or reviewing evidence required to confirm whether projects were eligible. These unsupported rankings were then used by the national office, in part, to determine which applicants would receive RBEG program funding. Because selections were made without the necessary evidence to support the projects' ranking, RBS has reduced assurance that all selected projects were eligible for the points they received on the score sheet. We also found that State and area offices within each State did not take sufficient steps to obtain financial or performance reports for 47 percent of our sample of Recovery Act RBEG projects. This occurred because State or area personnel were either unaware of reporting requirements or the procedures to follow to ensure that recipients complied with these requirements. Financial and quarterly performance reports inform Rural Development and the public of the status of projects intended

to help stimulate economic growth, and must be submitted regularly to assist RBS' oversight and monitoring efforts.

To resolve these issues, we recommended that RBS ensure that points assessed on the score sheet are supported by the required documentation and that the national office ensure that all personnel in charge of overseeing RBEG program projects complete a formal, comprehensive training program that addresses reporting requirements and enforcement actions available to encourage compliance. In addition, we recommended that RBS require State offices receiving Recovery Act RBEG program funds to assess quarterly whether grant recipients are compliant with reporting requirements. The agency agreed to all findings and recommendations in the report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong /S/**

**Monday, September 24, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service (FNS)**

(b)(5)



(b)(5)



**Investigative Activities**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, October 1, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Animal and Plant Health Inspection Service

(b)(5)



(b)(5)

**Farm Service Agency**

(b)(5)

**Food and Nutrition Service**

(b)(5)



**Forest Service**

(b)(5)



**Audit**

**Foreign Agricultural Service**

**Section 632(a) Transfer of Funds from the U.S. Agency for International Development to  
the U.S. Department of Agriculture for Pakistan**

**50601-0001-16**

**Issued: September 27, 2012**

(b)(5)



(b)(5)

**AMERICAN RECOVERY AND REINVESTMENT ACT.**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Tuesday, October 9, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Investigative Activities

Audit

**Rural Development**

**Rural Rental Housing Program Project Cost and Inspection Procedures**

**04601-0018-Ch**

**Issued: September 27, 2012**

Rural Development's Rural Housing Service (RHS) administers the Rural Rental Housing program, which provides affordable multi-family rental housing to low and moderate-income families, the elderly, and persons with disabilities living in rural areas. OIG evaluated the agency's internal controls and identified that RHS needs improve its controls to detect the misuse

of RRH program funds and its controls, to ensure that owners repair the physical deterioration of properties detected by agency inspections. We found that, in contrast to previous OIG audits that uncovered \$4.2 million in misused funds by 56 percent (18 of 32) of owners nationwide, the agency's control to detect the misuse of funds uncovered instances of noncompliance at a rate of about 0.4 percent. We determined that, while the agency's sole control for detecting misuse of program funds, attestation engagements, can be costly and requires detailed procedures, the agency can increase its overall effectiveness. The agency should reduce the number of properties required to be examined each year, and use a risk-based approach to select properties for attestation engagements. Further, we found deficiencies at 192 of 319 properties in our sample, and determined that officials had identified 44 of the deficiencies during prior year inspections, but were unable to compel owners to make required repairs. We attribute this to unclear guidance regarding the administrative actions officials should take against noncompliant owners and the agency's lack of a graduated schedule of penalties to impose when sanctions are appropriate. In addition to recommending that RHS improve its approach to reviews of financial activities, we recommend that RHS clarify its guidance and develop a graduated scale of penalties. RHS has agreed to the report's findings and recommendations and has proposed corrective actions sufficient to reach management decision for all recommendations in the report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**Monday, October 15, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service (FNS)

(b)(5)



**Audit**

**Forest Service**  
**Forest Service's Use of ARRA Funds for Wildland Fire Management on Federal Lands**  
**08703-0001-AT**  
**Issued: September 28, 2012**

The Recovery Act provided Forest Service's (FS) Wildland Fire Management (WFM) program with an additional \$250 million to fund program activities on Federal lands, such as hazardous fuels reduction, forest health protection, and woody biomass utilization. We reviewed the four largest dollar national projects with 47 associated contracts, grants, and agreements, as well as five biomass utilization grants, to evaluate FS' controls over project procurement and oversight, and whether FS ensured contractor compliance with employee-related award provisions. We determined that FS needs to improve its field-level control systems for monitoring contractor and grantee compliance with requirements to verify that their employees are legally authorized to work in the United States, inform and pay workers mandated wages and benefits, and accurately track and monitor the use of grant funds. Without effective procedures to ensure compliance and oversee grantees, FS increases the risk that contractors will employ unauthorized workers on Federal contracts. In addition, FS did not discern wage problems, such as underpayments to employees, as well as whether one company used \$2.5 million grant funds for the intended purpose. Therefore, the Office of Inspector General recommends that FS develop and implement policies, procedures, and guidance related to the use of the E-Verify system, determine if corrective actions are needed, and ensure that underpaid employees are reimbursed. For grants, we recommend FS revise its grant award letters, develop policies and procedures for discussing grant terms, and review the grantee's records and inventory to ensure that expenditures were appropriate. FS generally agrees with the report's findings and recommendations. As of the date of report issuance, September 28, 2012, we reached management decision on six out of ten

recommendations. We will continue to work with FS management to reach management decision on the remaining four recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, October 22, 2012**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

Inspector General Phyllis K. Fong has been invited by the Department of Transportation's Office of Inspector General to be guest speaker in its Leadership Development Program course on October 25. This course addresses leadership competencies and leadership presence. Inspector General Fong was asked to talk about events or key people that have influenced her life.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)



(b)(5)

**Audit**

**AMERICAN RECOVERY AND REINVESTMENT ACT.**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**Monday, October 29, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service (FNS)

(b)(5)



(b)(5)



**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

/s/ Phyllis K. Fong

**Monday, November 5, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

**Farm Service Agency (FSA)**

(b)(5)

(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)

**Audit**

**AMERICAN RECOVERY AND REINVESTMENT ACT.**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**Tuesday, November 13, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Nothing to report.

Food and Nutrition Service

(b)(5)

## Investigative Activities

### Audit

**Animal and Plant Health Inspection Service  
Follow Up on Animal and Plant Health Inspection Service's  
Implementation of the Select Agent or Toxin Regulations  
Report 33701-0001-AT  
Issued November 6, 2012**

To follow up on our prior audits and assess whether the Animal and Plant Health Inspection Service's (APHIS) new controls were effective, we assessed whether registered entities (which are licensed and regulated by APHIS) comply with regulations governing the possession, use, and transfer of dangerous biological agents and toxins, referred to as "select agents." We selected 7 out of a total of 59 registered entities, and also assessed APHIS' oversight of the entities. Although APHIS has made progress since our last audit, we found that it needs to strengthen internal controls over critical program areas related to monitoring the movement of select agents to alternate facilities, controlling access to select agents, ensuring that individuals handling select agents have up-to-date security clearances, and ensuring that responsible officials are adequately trained. The control deficiencies occurred because APHIS did not always (1) ensure effective monitoring of ongoing activities, (2) fully address identified risks, or (3) ensure effective communication within the select agent program. As a result, potentially dangerous violations went undetected at entities handling select agents, such as anthrax (*Bacillus anthracis*) and the plague (*Yersinia pestis*). While no safety incidents actually occurred from these violations, there is increased risk of the inadvertent or deliberate misuse of select agents.

We recommend that APHIS revise its inspection procedures; establish policies and procedures for handling select agent transfers in special circumstances; provide guidance to clarify the restricted access requirements; communicate more effectively on expirations of employee security assessments; and develop and conduct training for entity supervisors. Although APHIS did not agree with all of the Office of Inspector General's (OIG) 12 recommendations, it proposed corrective actions that address the concerns we identified.

**Office of the Chief Financial Officer  
American Recovery and Reinvestment Act – USDA  
FederalReporting.gov March 2011 Data Quality Review -  
Audit Number 50703-0001-13  
Issued October 26, 2012**

(b)(5)



**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, November 19, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives  
Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

**Agriculture Marketing Service**

(b)(5)

as

(b)(5)

**Food and Nutrition Service**

(b)(5)

**Audit**

No Report

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
/s/ Phyllis K. Fong

**Monday, November 26, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

(b)(5)

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**  
**Law Enforcement**

**Agricultural Marketing Service**

(b)(5)



**Food and Nutrition Service**

(b)(5)



(b)(5)

**Rural Housing Service**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, December 3, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Investigative Activities

Agricultural Marketing Service

(b)(5)



(b)(5)

**Food and Nutrition Service**

(b)(5)

**Audit**

**Office of the Chief Financial Officer  
Data Quality Review of American Recovery and Reinvestment Act Jobs Reported for  
USDA Programs  
Audit Number 50703-0002-13  
November 30, 2012**

The OIG identified that USDA agencies were not performing adequate reviews of the job creation and retention figures listed on FederalReporting.gov, and determined that agencies need to develop additional data checks to improve its reviews of jobs information reported on FederalReporting.gov. We found reporting errors related to 33 of 99 USDA Recovery Act awards, which account for approximately 375 of the 1,200 Recovery Act jobs reported for the awards in our sample. For instance, we identified job numbers that were inflated because award recipients reported cumulative job numbers instead of the number of jobs created or saved during the quarter being reported. In other instances, job numbers were underreported. USDA agencies did not identify and remedy the significant errors that award recipients made because the analytical tools the agencies were using were inadequate to verify the numbers recipients reported.

Rather than proactively developing additional data tests to supplement the data analysis tool that USDA's Office of the Chief Financial Officer (OCFO) provided, the agencies followed the minimum guidance issued by OCFO and the Office of Management and Budget (OMB) when reviewing the number of jobs reported. The OCFO-provided data tool was intended only to be used as a baseline for agencies to develop specific reviews that would be more effective in identifying errors.

Without accurate data about the number of jobs retained or created through the use of Recovery Act funds, it is difficult to measure how effective the Department was in accomplishing a main Recovery Act objective, which was to create and retain jobs. OCFO generally agreed with our recommendation.

#### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, December 10, 2012**

*Signed by David Gray DIG*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

Nothing to report.

## Audit

**Food Safety and Inspection Service  
Animal and Plant Health Inspection Service  
Agricultural Marketing Service  
USDA Controls Over Shell Egg Inspections  
Audit Report 50601-0001-23  
Issued November 30, 2012**

In August 2010, the Department of Health and Human Services' Food and Drug Administration (FDA) posted a voluntary recall of over 500 million shell eggs nationwide that were potentially contaminated with *Salmonella enteritidis* (SE), which were reportedly linked to more than 1,900 illnesses in 11 States. We initiated this audit to evaluate the Department of Agriculture's (USDA) controls to detect and report SE in shell eggs and USDA's coordination within the Department and with FDA to ensure that shell eggs are fit for human consumption. Although we were unable to determine the specific cause that led to the August 2010 recall, we did determine that the lack of coordination between USDA and FDA prevented crucial information from getting to the agencies that could have potentially limited the scope of that recall and related illnesses. Furthermore, USDA agencies' refrigeration, grademark policies and enforcement efforts would not ensure that shell eggs potentially contaminated with SE do not reach consumers.

To address these issues, we recommend that the Food Safety and Inspection Service (FSIS) coordinate with FDA to implement a plan to ensure a seamless farm-to-table approach to shell egg safety within USDA and ensure crucial information related to shell egg safety is collected and shared within USDA and with FDA. We also recommend that FSIS implement a scientific-based policy on shell egg refrigeration, and a process to take progressively stronger enforcement actions against companies that repeatedly violate its policy. For the Agricultural Marketing Service (AMS), we recommend that it take the necessary steps to prevent the USDA grademark from being placed on shell eggs potentially contaminated with SE. We accepted AMS' management decisions on five recommendations. We continue to work with FSIS to reach management decisions on the remaining five recommendations. The report was signed on November 30, 2012.

### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong /S/**

**Monday, December 17, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Foreign Agriculture Service (FAS)**

(b)(5)



(b)(5)

**Food and Nutrition Service**

(b)(5)

**Investigative Activities**

Nothing to report

**Audit**

**Rural Development's Single-Family Housing Direct and Guaranteed Loans—  
Recovery Act —Effectiveness Review  
Audit Report 04703-0001-31  
Issued December 12, 2012**

As the last stage of a multi-phase review of the Recovery Act's funding for Rural Development's Single-Family Housing loan programs, OIG examined whether the agency met performance goals meant to measure program effectiveness.

We found that Rural Development needs to establish outcome-oriented performance measures that it can use to gauge the effectiveness of its Single-Family Housing (SFH) programs. While Rural Development's primary strategic goal is to assist rural communities in repopulating and becoming self-sustaining and economically thriving, its Recovery Act Implementation Plan originally established one performance measure for both SFH loan programs: to increase the number of homeowners. Rural Development national officials used this measure because it had historically been used for both programs' regular funding and was easily tracked and quantifiable.

OIG determined that Rural Development met this output-oriented performance measure by obligating about 11,000 direct loans and guaranteeing over 81,000 loans. However, one measure alone does not provide substantive information on outcomes, which is needed to establish whether program goals are being achieved or the objectives of the Recovery Act are being carried out. Even though Recovery Act funding has ceased, we believe that Rural Development should establish additional performance measures for both SFH loan programs funded with regular appropriations.

For future funding, including regular appropriations, we recommend that the agency establish and implement additional outcome-oriented performance measures to track its success in meeting the objectives of the funding it receives. The agency agreed with our recommendation, and we accepted management decision.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**David R. Gray for /S/**

**Inspector General Phyllis K. Fong**

**Monday, December 31, 2012**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Investigative Activities

Agricultural Research Service (ARS)

(b)(5)

(b)(5)

**Food and Nutrition Service**

(b)(5)

(b)(5)



**Audit**

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong /S/**

**Tuesday, January 22, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)

(b)(5)



**Rural Housing Service (RHS)**

(b)(5)



(b)(5)

**American Recovery and Reinvestment Act (ARRA) Investigative Activities**

(b)(5)

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, January 28, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)



(b)(5)

**Rural Housing Service**

(b)(5)

**Investigative Activities**

**Audit**

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong /S/**

**Monday, February 4, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency (FSA)**

(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)



**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong/S/**

**Monday, February 11, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Nothing to report.

Investigative Activities

Food and Nutrition Service

(b)(5)



(b)(5)



**Forest Service**

(b)(5)



**Risk Management Agency**

(b)(5)



(b)(5)

## **Audit**

### **Office of the Chief Information Officer Review of Selected Controls of the eAuthentication System Audit Report 88501-0001-12 January 31, 2013**

The Office of Inspector General review of the Department of Agriculture's (USDA) eAuthentication (eAuth) system evaluated the Office of the Chief Information Officer's (OCIO) controls over the system's security. The eAuth system was created in 2003 to provide users with a single user name and password that allows them to access over 400 USDA web-based applications. The eAuth system generally operated effectively, efficiently, and in accordance with guidance. However, we found that improvements to the eAuth system's internal controls could make critical USDA program and financial information less vulnerable to compromise. While Federal agencies are required to use National Institute of Standards and Technology's (NIST) recommended controls to reduce risks to Federal systems, we found that OCIO did not implement some of the required NIST controls. This occurred because, although OCIO managers and staff were aware of the requirements, they did not perform a systematic review of the NIST requirements when designing, building, and maintaining the eAuth system. Without incorporating applicable NIST controls, the eAuth system could be at greater risk to incidents such as security breaches or service outages that negatively impact access to over 400 USDA systems. The agency agreed with all recommendations.

**This report is not being publicly released due to the sensitive security information it contains.**

### **Rural Development Rural Business Enterprise Grants Recovery Act Controls Field Confirmations Report Number 34703-0001-31 Report Issued January 24, 2013**

(b)(5)

**Animal and Plant Health Inspection Service & Food Safety and Inspection Service  
Verifying Credentials of Veterinarians Employed or Accredited by USDA  
Audit Report 50601-0001-31  
Issued January 30, 2013**

The Office of Inspector General determined that the United States Department of Agriculture (USDA)—specifically the Food Safety and Inspection Service (FSIS) and the Animal and Plant Health Inspection Service (APHIS)—needs to strengthen its hiring processes to ensure that candidates are qualified for the Federal veterinarian positions to which they applied. USDA veterinarians are essential in safeguarding public and animal health, and it is important that they have the appropriate level of education and experience needed to perform their job. It is the responsibility of agencies' Human Resources (HR) departments to ensure that veterinarians are qualified to perform their essential job functions by reviewing applicants' information.

However, we found that APHIS and FSIS HR departments did not adequately verify prospective veterinarians' educational requirements, equivalent degrees, and specialized experience when it qualifies the applicant for higher pay. For example, agencies often accepted photocopies of transcripts submitted by the applicant in lieu of official transcripts as proof of education. This occurred because the agencies relied primarily on the Office of Personnel Management's generalized guidelines and did not establish agency-specific guidance or procedures to verify and validate veterinarians' credentials. As a result, the Department may unknowingly hire unqualified employees to perform critical food safety duties. APHIS and FSIS generally agreed with our recommendations and we accept management decision for these recommendations.

APHIS and FSIS should establish control procedures on what constitutes an official transcript, appropriate transcript delivery methods, and the means to verify transcripts, equivalent degrees, and specialized experience when it qualifies the applicant for higher pay.

**Natural Resources Conservation Service  
NRCS' Oversight and Compliance Activities  
Audit 10601-0001-22  
February 7, 2013**

The Office of Inspector General (OIG) found that the Natural Resources Conservation Service (NRCS) has not implemented a comprehensive, integrated compliance strategy designed to verify that its \$3.6 billion in conservation programs are functioning as intended. This has occurred because, according to NRCS' strategic plan, the agency focuses on putting conservation practices "on the ground." We maintain that the NRCS must also design adequate compliance activities to ensure that program benefits are reaching those who are truly eligible and serving their intended purposes.

Over the past decade, a number of OIG audits have demonstrated that NRCS has longstanding problems with verifying the eligibility of participants, their compliance with conservation agreements, and how easements are valued. This review shows that NRCS must strengthen its efforts to improve program compliance by, for instance, reorganizing so that one person or entity at NRCS has the responsibility and authority to ensure that compliance and oversight activities are effective. We also found that NRCS has never performed a risk assessment of its overall program operations; a fact that NRCS officials acknowledge. When NRCS did perform compliance reviews, those reviews did not focus on the specific program vulnerabilities identified by prior OIG reports. Without an improved compliance effort, NRCS cannot ensure the integrity of its \$3.6 billion in program expenditures, nor can it ensure that its resources are used efficiently and effectively to reduce the risk of fraud, waste, and abuse.

We recommended that NRCS perform an overall risk assessment of program operations and develop/implement an integrated compliance strategy, incorporating clear and measurable objectives, and develop review procedures to address specific program vulnerabilities. The agency agreed with our recommendations, and we accepted management decision to all recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong /S/**  
*David Gray signed for.*

**Monday, February 19, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**  
Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Investigative Activities

## Audit

**Food and Nutrition Service  
National School Lunch Program—Food Service Management Company Contracts  
Report 27601-0001-23  
Issued January 3, 2013**

Our audit of the National School Lunch Program (NSLP) reviewed the Food and Nutrition Service's (FNS) controls over State agencies and school food authorities that contracted with food service management companies in school year 2011.

We evaluated FNS' oversight of the NSLP and food service management companies' (FSMCs) contracts, in response to a Congressional request from Senator Claire McCaskill, Chairman of the Homeland Security Governmental Affairs Committee's Subcommittee on Contracting Oversight. We found that, while FNS has implemented several controls to ensure that NSLP funds and USDA-donated foods are used to solely benefit the program, it has not taken sufficient steps to ensure that those controls are followed. Our review of the 18 school food authorities (SFAs), covering 3 States, showed that 11 did not exercise sufficient management oversight to ensure they received the full benefits of purchase discounts and rebates and the value of USDA-donated foods. FNS allowed each oversight level, from the national office down to the local SFAs, to pass its own responsibilities for monitoring FSMC activities to the level below—to the point that SFAs were leaving FSMCs to perform certain monitoring steps themselves. As a result, we questioned almost \$1.7 million in unallowable costs and USDA-donated foods that could not be accounted for. These questionable costs emerged from three separate areas that FNS' oversight did not identify: (1) the SFAs were not aware or did not receive the proper amounts for purchase rebates from their contracted FSMCs, (2) the SFAs and FSMCs' inadequately accounted for USDA-donated foods used in the SFAs' food service operation, and (3) one State implemented a prototype FSMC contract that did not meet Federal procurement law and contained confusing terms that were not adhered to by its SFAs.

We recommended that FNS assist the State agencies to collect \$1.2 million in questioned program costs from FSMCs, and determine whether the approximately \$0.5 million in USDA-donated foods were properly credited or used in the SFAs school food service. FNS should also evaluate its overall management evaluation process and oversight system, and take several steps to improve the implementation and monitoring of FSMC contracts. FNS generally agreed with the report's findings and recommendations.

During our review, we encountered a scope limitation that delayed and ultimately prevented us from providing a conclusion on whether FSMCs provided all purchase rebates owed to the SFAs. FSMCs and distributors caused many delays, and some FSMC documents we did receive contained inconsistent data. We plan to perform additional work in this area and expect to issue a separate report during FY 2013.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, February 25, 2013**

/s/ David R. Gray/ for

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

Preparations are being made for a hearing before the House Agriculture Appropriations Subcommittee. The date for testimony by Inspector General Phyllis Fong is March 7.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

(b)(5)



**Risk Management Agency (RMA)**

(b)(5)





**Investigative Activities****Audit**

**Risk Management Agency  
RMA: Federal Crop Insurance – Organic Crops.  
Audit Report 05601-0006-KC  
Issued February 22, 2013**

The Office of Inspector General (OIG) determined that the Risk Management Agency (RMA) needs to strengthen controls over Federal crop insurance coverage for crops produced through organic farming practices. Based on reviews of 3 years of organic crop insurance policies, we found that transitional yields offered to organic producers overstated actual production capabilities of farmers producing crops using organic farming practices. This resulted in excessive insurance coverage and higher indemnity payments for 35 of 48 crop policies with losses. Because the policy guaranteed yields it underwrote were excessive, RMA paid at least \$952,000 of \$2.56 million in additional indemnities to insured producers for these policies. In addition, insured producers with organic crops had a loss ratio of 105 percent. In contrast, insureds with conventional crops had a loss ratio of only 67 percent.

In addition, we concluded that RMA needs to reiterate loss adjustment procedures to the approved insurance providers (AIP) that it partners with to administer the Federal crop insurance program. AIPs are required to carry out specific loss adjustment standards specific to organic crop claims. We found that, contrary to RMA policy, AIPs did not require their adjusters to use the insureds' organic crop documents to assess good organic farming practices. Nor were AIPs required to maintain documentation supporting their determinations that producers used good organic farming practices. AIPs paid \$4.26 million in claims to insureds who held 48 policies without verifying loss information and ascertaining whether insureds were carrying out good organic farming practices.

We recommended that RMA should reduce transitional yields for crops produced using organic farming practices. RMA should also reiterate that loss adjusters should carry out additional loss adjustment requirements for crops produced using organic farming practices, and require them to maintain supporting documents. RMA agreed with our recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT.**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, March 4, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Investigative Activities

Farm Service Agency (FSA)

(b)(5)



(b)(5)

**Food and Nutrition Service**

(b)(5)

**Forest Service (FS)**

(b)(5)

**Risk Management Agency**

(b)(5)

**Audit**

**The Office of Advocacy and Outreach  
Controls Over the Grant Management Process of the Office of Advocacy and Outreach  
Audit Report 91099-0001-21  
Issued February 28, 2013**

In the fall of 2012, the Office of Inspector General (OIG) performed additional work to review how well the Office of Advocacy and Outreach (OAO) was monitoring its grantees. This final report included additional recommendations intended to strengthen OAO's processes for selecting grantees and help the agency better monitor grantees' use of funds.

OIG found that OAO needs to improve the policies, procedures, and internal controls used to select applicants to receive grants through the Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Program.

OAO initially selected applicants to receive fiscal year (FY) 2012 grants through the Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Program (Section 2501 Program), even though these applicants may not have been the most meritorious and deserving candidates. OAO officials disregarded regulatory requirements and guidelines cited in the Funding Opportunity Announcement (FOA) in making those selections. Also, OAO had no documentation to support their decisions and could not explain why some applicants that appeared more deserving were not selected to receive grant funds. We reported these conditions in a Fast Report on May 18, 2012.

Based on our Fast Report, OAO reselected applicants for the Secretary's consideration in July 2012. We evaluated the process used to reselect applicants and concluded that it was more impartial and transparent than the process used to select the initial applicants. We notified the Acting Assistant Secretary for Administration of our conclusions on August 2, 2012.

OIG found that OAO needs to strengthen and document the policies, procedures, and internal controls related to its grant management process. The agency agreed with our recommendations and we accepted management decision.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, March 11, 2013**

*DAVID GRAY SIGNED FOR*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

**Farm Service Agency (FSA)**

(b)(5)

(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)

**Rural Housing Service (RHS)**

(b)(5)

(b)(5)

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT.**

Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, March 18, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Inspector General Phyllis K. Fong will testify before the House Agricultural Appropriations Subcommittee on Thursday, March 21. This Hearing was originally scheduled for March 7.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency**

(b)(5)



(b)(5)

**Food and Nutrition Service**

(b)(5)

**Rural Utilities Service**

(b)(5)

**Investigative Activities**

Nothing to report.

## Audit

**Forest Service  
Management of Oil and Gas Resources  
on National Forest System Land  
Audit 08601-0001-21  
March 12, 2013**

The Office of Inspector General (OIG) reviewed how the Forest Service (FS) is cooperating with the Department of the Interior (DOI) to expedite the approval of oil and gas leases and operations on National Forest System (NFS) lands. Rising energy prices have increased interest in the exploration and development of domestic oil and gas resources, some of which are found beneath public lands within national forests. When oil and gas companies apply to drill on NFS land, the FS works with the Bureau of Land Management (BLM) in DOI to regulate its operations. BLM receives lease nominations, issues and administers all Federal leases, and monitors all drilling and production activities, while FS accepts and processes lease nominations, authorizes the use of forest land for oil and gas operations, and monitors surface disturbance and reclamation.

OIG found that the two agencies need to improve how they work together, so that oil and gas lease nominations and operations are approved expeditiously. Despite the existence of a Memorandum of Understanding, established as a result of the Energy Policy Act of 2005, most of FS' communication with BLM has been informal—when problems obstructing cooperation occurred, they were not resolved. The two agencies also need to better track information, such as the number of days for nominated parcels to be processed, as we found that deadlines were often missed. We also found that FS could not validate whether all well sites were being inspected annually, as required.

Permitting oil and gas drilling on NFS lands does pose an environmental risk, but FS does not require operators to submit a spill plan that would ensure that operators are prepared to quickly respond to any spills. Finally, OIG noted that FS established performance measures to assess the work done in the program, but those measures did not clearly record the outcomes of key program activities. As a result, FS officials were not receiving the data needed to make appropriate program decisions and were unable to determine which program activities were not performed timely.

We recommend that FS coordinate with BLM to expedite approval of lands, use BLM systems to track inspections, develop spill response plans, and revise performance measures. FS generally agreed with our recommendations, and we accepted management decision on all recommendations.

**Natural Resources Conservation Service  
Recovery Act – NRCS' Emergency Watershed Protection Program  
Floodplain Easements Field Confirmations  
Audit Report 10703-0005-KC  
Issued March 14, 2013**

The Office of Inspector General (OIG) evaluated the Natural Resources Conservation Service's (NRCS) floodplain easement program activities to assess the agency's use of American Recovery and Reinvestment Act (Recovery Act) funds to restore and enhance floodplains.

OIG determined that NRCS, an agency within the Department of Agriculture (USDA), needs to address four issues related to the floodplain easement component of its Emergency Watershed Protection Program. We found that NRCS did not always: target funds to those easements most consistent with program goals, require that documentation supported eligibility determinations, ensure easements were maintained consistent with program goals, and compensate landowners appropriately.

NRCS acquires easements from owners of floodplain lands to gain authority to take measures to restore and enhance the floodplain's function and values. However, without a clear definition of "natural conditions" in the program manual, personnel did not always develop restoration plans adequately and ensure the restoration of floodplain functions and values to the greatest extent practicable. Further, NRCS did not always develop and maintain documents to support its determinations that offered lands were eligible and its decisions to prioritize among applications. Additionally, NRCS did not provide adequate guidance to landowners regarding program rules, such as actions prohibited on easements. As a result, land was not always maintained in a manner consistent with the program goal of restoring floodplains to a natural condition. Finally, NRCS compensated five landowners in our sample improperly, with errors totaling \$139,474. OIG accepted management decision on six of the seven recommendations; however, further action from the agency is needed before management decision can be reached on the other recommendation.

**Natural Resources Conservation Service  
Recovery Act – NRCS' Emergency Watershed Protection Program Floodplain  
Easements and Watershed Operations Effectiveness Review  
Audit Report 10703-0001-31  
Issued March 14, 2013**

For the last stage of reviews of the Recovery Act's funding for the Natural Resources Conservation Service's (NRCS) Watershed Operations and Floodplain Easements programs, the Office of Inspector General (OIG) examined program effectiveness, including whether the agency met performance goals.

OIG determined that NRCS needs to establish outcome-oriented performance measures that it can use to gauge the effectiveness of its Watershed Operations and Floodplain Easements programs. While the agency established output-oriented measures to track progress, we

OIG recommended that NRCS establish additional outcome-oriented performance measures to track its success in meeting the objectives of the funding it receives. We also recommend that the agency require appraisals of structures to be acquired and establish controls to ensure easement payments do not exceed accepted offers. The agency agreed with our recommendations, and we accepted management decision on all recommendations.

The Office of Inspector General (OIG) audited the U.S. Department of Agriculture (USDA) to determine whether the Department complied with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) to effectively reduce its improper payments. .OIG determined that USDA did not comply with IPERA for a second consecutive year. Although USDA made progress to improve its processes to substantially comply with IPERA, the Department was not compliant with three of the seven IPERA requirements. Specifically, USDA and its component agencies did not always report sufficient estimates for high-risk programs, report error rates below specific thresholds, and meet annual reduction targets. This occurred because USDA has not completed actions to assess results and achieve compliance. These noncompliances continue to illustrate the risks of improper payments affecting taxpayers, as USDA could have avoided approximately \$74 million in improper payments by meeting reduction targets. As required, OIG must report to Congress that USDA did not comply with IPERA. For those programs that did not comply with IPERA for two consecutive fiscal years, USDA must consult with the Office of Management and Budget (OMB) to discuss further actions. In addition, USDA needs to implement further actions to improve its risk assessments and reporting accuracy. With improvements not yet fully implemented, the Department faces an increased risk that it may not identify programs that need to annually report and reduce improper payments. Also, some of USDA's reported actions to prevent and reduce improper payments do not reflect its actual progress. We briefed USDA officials on our results, and they generally concurred with our findings and recommendations. We received the Office of Chief Financial Officer's (OCFO) written response for the recommendations addressed to OCFO and accepted management

decisions on those recommendations. However, we did not obtain written comments to the report from component agencies, prior to the OMB-mandated report issuance date of

March 15, 2013. USDA should implement controls to ensure its actions to report and reduce improper payments meet IPERA requirements, and accurately and completely reflect USDA's progress.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**Monday, March 25, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**  
**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Investigative Activities**

**Food and Nutrition Service (FNS)**

(b)(5)

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ David R. Grayfor*

**Monday, April 1, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)



(b)(5)



**Food Safety and Inspection Service**

(b)(5)



**Risk Management Agency**

(b)(5)



**Investigative Activities**

Nothing to report.

**Audit**

**Natural Resources Conservation Service  
Recovery Act – Rehabilitation of Flood Control Dams  
Audit Report 10703-0001-At  
Issued March 25, 2013**

The Office of Inspector General (OIG) audited the Natural Resources Conservation Service (NRCS) to determine if Recovery Act funds for the Watershed Rehabilitation Program were used effectively to rehabilitate aging flood control dams.

As part of the American Recovery and Reinvestment Act of 2009 (Recovery Act), NRCS selected 27 dam rehabilitation projects to receive \$44.8 million in funding through the Watershed Rehabilitation Program, which assists sponsoring local organizations in rehabilitating high-hazard, aging flood control dams. OIG determined that, while NRCS was generally effective in implementing controls to monitor Recovery Act funds, it did not take necessary steps to inform the Office of Management and Budget (OMB), the Department of Agriculture (USDA), or the public of key information regarding the projects, or to implement OIG's recommendations from a prior audit.

Specifically, NRCS did not accurately communicate to the Department of Agriculture and OMB the readiness of the selected projects and the impact of Recovery Act requirements on the program, which, by design, is not well suited to meet the accelerated timeframes and unique challenges posed by the Recovery Act. As a result, NRCS spent almost \$943,000 on 8 projects that did not meet Recovery Act goals and, therefore, could not be completed. Funds allocated to these projects had to be de-obligated or allocated to other projects. NRCS also missed an opportunity to use \$1.4 million of Recovery Act funds to help the U.S. economy during the recession. Additionally, NRCS did not ensure that websites had complete or accurate information on watershed rehabilitation projects—such as project certifications and updated information about the 27 projects and their funding. Finally, NRCS has not fully corrected deficiencies with its dam inventory and cost monitoring tools that OIG identified in a prior audit. We have reached management decision on our five recommendations.

**Food Safety Inspection Service  
FSIS *E. coli* Testing of Boxed Beef  
Report 24601-0003-31  
Issued March 22, 2013**

The Office of Inspector General (OIG) audited the Food Safety Inspection Service (FSIS) to determine how effectively the agency was testing boxed beef items that downstream processors used for ground beef production.

OIG found that FSIS needs to re-evaluate its *E. coli* testing methodology, as it relates to the downstream processing of boxed beef products. FSIS tests product designated as ground beef or likely to become ground beef, but they do not sample all boxed beef product. Some downstream processors grind such boxes of unsampled cuts of beef without sampling it for *E. coli* prior to grinding. Similarly, “retail exempt establishments”—grocery stores, butcher shops, etc.—potentially grind their own ground beef; but unlike Federally inspected plants, FSIS does not sample and test bench trim at these establishments for *E. coli*. FSIS does have a program for periodically testing the final ground beef products at downstream processors and retail exempt establishments before it enters commerce. Also, FSIS is not testing tenderized meat products for *E. coli*, despite several recent recalls.

FSIS has recently transitioned to their new Public Health Information System (PHIS), which relies, in part, on correct profile information to accomplish such tasks as sending inspectors *E. coli* sampling requests. However, we found some establishments had incorrect profile information, resulting in incorrect requests for sampling. This profile error caused FSIS not to sample one establishment’s “other ground beef components” for over 4 years. However, FSIS did sample the ground product before it left the plant.

Lastly, not all plants we reviewed had adequate records for tracing source material back to the originating slaughter establishment. Such information is crucial during a recall.

We recommended that FSIS take additional steps to ensure that beef to be ground throughout the production process—from Federally inspected slaughter establishments to local grocery stores—be subject to FSIS sampling and testing for *E. coli*. The agency agreed with all 12 recommendations and we accepted management decision.

**Departmental Management  
OIG’s Review of Procurement Oversight Audit of South Building Modernization Project  
Report 50703-0001-12  
Issued March 25, 2013.**

The American Recovery and Reinvestment Act (Recovery Act) of 2009 provided the Department of Agriculture’s (USDA) Departmental Management with approximately \$17 million to modernize a wing of USDA’s South Building in Washington, D.C. To ensure that the transparency and accountability requirements of the Recovery Act are met, the Office of Inspector General (OIG) contracted with Regis & Associates, PC, to assist in ensuring that

Departmental Management performed Recovery Act procurement activities in accordance with Federal Acquisition Regulations, Office of Management and Budget guidance, and Recovery Act requirements.

The audit found Departmental Management's contracting staff were experienced and qualified to monitor the contract. However, we identified a chronic invoice payment issue and Recovery Act reporting issues. Specifically, we found that Departmental Management did not pay 16 of 17 invoices in a timely manner. Because Departmental Management did not effectively ensure that staff with sufficient warrant authority were available to approve invoices if, for instance, personnel assigned to the contract were on leave or transferred, USDA incurred late payment interest penalties of over \$18,000. We also found that information reported on Recovery.gov for the project contained inaccuracies. As a result of a previous audit, Departmental Management issued procedures for Recovery Act contracting. However, because the procedures do not clarify reporting for projects with multiple funding sources, staff reported the project's funding on Recovery.gov inaccurately. Departmental Management generally agreed with our recommendations, and we accepted management decision on all recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
/s/ Phyllis K. Fong

**Monday, April 8, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)



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(b)(5)

### Investigative Activities

Nothing to report.

### Audit

**Forest Service  
Forest Service Performance Measures for Recovery Act Projects  
Report 08703-0001-41  
Issued March 28, 2013**

The Office of Inspector General (OIG) reviewed the Forest Service (FS) contracts and agreements to determine if it implemented performance measures in accordance with guidelines and timely reported them for transparency purposes. OIG found that FS implemented performance measures that generally met the goals of the American Recovery and Reinvestment Act (Recovery Act); however, we found FS field staff did not timely or accurately report the agency's Recovery Act accomplishments by the final cutoff date for six of the seven key performance measures selected for our review. This occurred because some field staff had competing priorities that superseded entering the accomplishment data into the tracking systems. Some field staff also made inadvertent data entry errors. As a result, FS misreported its accomplishments for 68 of the 122 contracts and agreements we reviewed and, therefore, did not fully meet the Recovery Act's transparency objective. FS generally agreed with our findings and reinforced with its staff the importance of timely data entry. Since Recovery Act funds ceased to be available for new obligations as of September 30, 2010, we made no recommendations.

**Foreign Agricultural Service  
Effectiveness of FAS' Recent Efforts to Implement Measurable Strategies  
Aligned to the Department's Trade Promotion and Policy Goals  
Report 50601-0001-22  
March 29, 2013**

The Office of Inspector General (OIG) evaluated the Foreign Agricultural Service's (FAS) efforts to develop and implement measurable strategies and actions that are effectively aligned with the USDA's overall goals for trade policy and promotion. The Government Performance and Results Act requires each executive agency to create a strategic plan with outcome-related goals and objectives, and the Government Accountability Office recommends that agencies establish quantifiable performance measures in order to gauge progress. Although FAS recently updated its Strategic Plan to include measurable goals and objectives, these goals and objectives (which measure the dollar value of exports) do not present the whole picture of how FAS' actions are affecting the global market for American agricultural goods. FAS' measures are not outcome-based and do not show how the United States is performing in a given market compared to its competitors. OIG acknowledges that developing outcome-based performance

measures for FAS' trade efforts is difficult, but we maintain that a change in U.S. market share is an outcome-based measure that would be of great use to policymakers.

Additionally, FAS has not updated its Country Strategy Statements (CSS), USDA's Global Market Strategy (GMS), or its corresponding performance measures in the Department's Performance and Accountability Report (PAR) to align with the goals and objectives contained in the new Strategic Plan. By working with the Department to improve measures that are reported in the PAR, FAS can increase transparency in USDA reporting and show how FAS, in reaching its goals, is contributing to USDA's overarching goal of increasing prosperity in rural communities.

FAS should refine its performance measures to contextualize changes in U.S. agricultural exports as part of U.S. market share in the global marketplace. FAS should also incorporate clear, outcome-based performance measures into the 2013 CSS, work with the Department to update the GMS to align with FAS and USDA strategic goals, and update the performance measures related to trade policy and trade promotion in departmental planning and reporting documents. FAS agreed with all recommendations. We accepted management decision on four of the five recommendations.

#### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong /S/**

**Monday, April 15, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives  
Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

## **Investigative Activities**

Nothing to report.

## **Audit**

**Rural Utilities Service  
Rural Utilities Service Controls Over Recovery Act Water and Waste Loans and Grants  
Expenditures and Performance Measures  
Report 09703-0001-22  
Issued March 26, 2013**

The Office of Inspector General (OIG) evaluated Rural Utilities Service's (RUS) Recovery Act performance measures and controls over expenditures for Water and Waste Disposal System (WWD) loans and grants to assess whether the agency used Recovery Act funds to achieve Recovery Act goals.

OIG determined that RUS designed and implemented performance measures for WWD loans and grants that effectively measured how RUS used Recovery Act funds to achieve Recovery Act goals. We evaluated the performance goals, which aimed to, for instance, reduce rural people's exposure to water-related hazards, and save or create 56,000 jobs. Based on our evaluation, we concluded that these goals adequately measured RUS' achievements in meeting both Recovery Act and WWD program objectives. We found that RUS had an effective system for gathering data specific to the reported measures and could reasonably ensure reporting was proper.

We also assessed controls over project expenditures and concluded that they were reasonably effective to ensure that RUS used Recovery Act funds to complete projects as intended. However, our review disclosed that RUS needs to improve controls over grant funds remaining after projects are complete. Specifically, we identified a borrower with multiple WWD projects who improperly transferred grant funding from one completed project to another project, which is prohibited. This occurred due to weaknesses in controls for deobligating funds remaining after projects are completed, and, also, in part, because Rural Development does not currently track project expenditures at the national level. The transferred \$158,252 was part of \$454,355 in grant funding that remained inactive for a period of more than 2 years, while a backlog of other WWD projects waited for funding.

RUS should develop guidance and train staff on how to close obligations and conduct reviews of unliquidated obligations. RUS should also develop tools to track inactive projects, and return approximately \$454,355 in inactive and improperly spent funds to the Department of the Treasury. RUS generally agreed with our recommendations. OIG accepted management decision for all recommendations.

**Rural Development**  
**American Recovery and Reinvestment Act-Business and Industry**  
**Guaranteed Loans-Phase 3**  
**Report 34703-0001-32**  
**Issued March 29, 2013**

The Office of the Inspector General (OIG) assessed American Recovery and Reinvestment Act (Recovery Act) funded Business and Industry loans that Rural Development guarantees to determine whether loans were properly serviced, funds were used properly, and the program met performance goals.

OIG determined that the controls Rural Development has in place should be strengthened to ensure that lenders receiving Recovery Act funded Business and Industry (B&I) loan guarantees complete all servicing actions and correctly report data used to determine program performance. Specifically, lenders are not properly servicing Recovery Act-funded B&I guaranteed loans, and Rural Development State office personnel are not adequately monitoring the loan servicing. Based on issues identified with 37 of 53 loans in our statistical sample, we estimate that lenders did not correctly service 72 percent of the loans in the audit universe. In addition, Rural Development did not adequately monitor the lenders of 33 of the 53 loans, or 64 percent of the loans in the audit universe. As a consequence, there is a greater risk that problem loans are going undetected. In addition, the use of loan proceeds could not always be verified to ensure the funds were used for authorized purposes or in accordance with program requirements and loan agreements.

Furthermore, the agency does not have a well-defined process in place to ensure that data on jobs created and saved are collected in a consistent manner and the percentage of small business participation is accurately determined. Because of issues with the agency's guidance regarding these processes, the agency's success in meeting its established performance goals may be overstated.

Rural Development should develop and implement guidance, regulations, and comprehensive training related to servicing actions, documentation, small business determinations, and job reporting. The agency should also take specified actions to monitor and verify lender servicing and conduct any borrower visits that have not yet been performed. Rural Development generally agreed with our recommendations. OIG accepted management decision for most of the recommendations.

**Food and Nutrition Service**  
**Vendor Management in the Food and Nutrition Service's Special Supplemental Nutrition**  
**Program for Women, Infants, and Children (WIC)**  
**Report 27601-0038-Ch**  
**Issued March 29, 2013**

The Office of Inspector General (OIG) audited the Food and Nutrition Service's (FNS) controls over vendor management and participant eligibility in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

OIG found that FNS management evaluations (MEs) did not identify and correct significant issues in the vendor management processes at two State agencies operating WIC. These agencies lacked sufficient controls to track vendor violations for 42 vendors (2 in Illinois and 40 in Florida), and ensure timely and appropriate sanctions. As a result, these vendors were not disqualified, as required, and could redeem an estimated \$6.6 million in WIC benefits during their required periods of disqualification. Also, the Florida State agency did not conduct compliance investigations on 24 of its 35 high-risk vendors, and did not treat smaller vendors in an equitable manner with large chain stores. These deficiencies could allow vendor violations, including excessive charges and the sale of unauthorized food items, to go undetected.

We also found that the Illinois State agency did not disqualify 3 of the 11 WIC vendors that were also disqualified from the Supplemental Nutrition Assistance Program (SNAP) during a 3-year period. If these vendors are not disqualified, we estimate that they could redeem approximately \$51,000 in WIC food instruments that they are not authorized to redeem.

We concluded that the Michigan State agency properly monitored vendors. We note that Michigan uses an electronic benefits transfer (EBT) system, while Illinois and Florida still use paper food instruments. Michigan's system uses the same device to process SNAP and WIC food instruments and removes it when a vendor is disqualified from one program—thereby ensuring reciprocal disqualification.

FNS should perform an assessment of its ME process, and periodically reassess and update its ME guidance. FNS should also require that the State agencies disqualify the violating vendors we identified, require that they strengthen their controls over vendors, and require the timely reciprocal disqualification of WIC vendors that have been disqualified from SNAP. FNS agreed to the recommended corrective actions and management decision was reached on all report recommendations.

**Agricultural Marketing Service  
Agricultural Marketing Service Oversight of the Beef Research and Promotion  
Board's Activities  
Audit Report 01099-0001-21  
Issued March 29, 2013**

(b)(5)



**Food and Nutrition Service  
Recovery Act Performance Measures for the  
Supplemental Nutrition Assistance Program  
Report 27703-0002-22  
Issued March 28, 2013**

The Office of Inspector General (OIG) initiated this audit to determine whether the Food and Nutrition Service's (FNS) performance measures effectively measured its achievement in accomplishing the Supplemental Nutrition Assistance Program (SNAP) Recovery Act goals.

FNS, with Department of Agriculture (USDA) and Office of Management and Budget (OMB) approval, implemented four performance measures to evaluate its implementation of the Recovery Act for SNAP. However, we found these measures were not designed to effectively evaluate how the additional funding achieved the Recovery Act goals of assisting those most impacted by the recession, stabilizing State government nutrition program budgets for essential services, and stimulating the economy. Two of the four measures also appear in the Department's Strategic Plan for fiscal years (FYs) 2010 through 2015, which will remain in

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
/s/ Phyllis K. Fong

**Monday, April 22, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency (FSA)**

(b)(5)



(b)(5)

**Food and Nutrition Service**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**Monday, April 29, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

(b)(5)

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency (FSA)**

(b)(5)



(b)(5)

**Food and Nutrition Service**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong** ...  
/s/ Phyllis K. Fong

**Monday, May 6, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)



(b)(5)

**Rural Housing Service**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, May 13, 2013**

*/s/ David R. Gray/ for*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Inspector General (IG) Phyllis K. Fong spoke at the May 13 Joint Financial Management Improvement Program Conference. IG Fong was part of a panel of three Inspectors General who shared their insights into agency best practices and lessons learned from the Improper Payments compliance reviews performed for fiscal years 2011 and 2012 as well as their thoughts of the IGs' oversight role under the Improper Payments Elimination and Recovery Act of 2010. In addition, in IG Fong's role as Chair of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), CIGIE's perspective was also provided.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report.

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong** .....

**Monday, May 20, 2013**

*/s/ David R. Gray/ for*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)



(b)(5)



**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**Tuesday, May 28, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food Safety and Inspection Service**

(b)(5)





(b)(5)

**Rural Housing Service**

(b)(5)

**Investigative Activities**  
Nothing to report.

## Audit

**Food Safety and Inspection Service  
FSIS—Inspection and Enforcement Activities at Swine Slaughter Plants  
Report 24601-0001-41  
Issued May 9, 2013**

The U.S. Department of Agriculture's Office of Inspector General (OIG) performed this audit to identify areas of risk in the Food Safety and Inspection Service's (FSIS) inspection of swine plants, evaluate FSIS' controls over food safety and humane handling, and determine if appropriate enforcement actions were taken against plants that violated the Federal Meat Inspection Act (FMIA) and the Humane Method of Slaughter Act (HMSA).

OIG found that FSIS' enforcement policies do not deter swine slaughter plants from becoming repeat violators of FMIA, which resulted in plants that repeatedly violated the same regulations with little or no consequence. In 8 of the 30 plants we visited, inspectors did not always examine the internal organs of carcasses in accordance with FSIS inspection requirements, or did not take enforcement actions against plants that violated food safety regulations. As a result, there is reduced assurance of FSIS inspectors effectively identifying pork that should not enter the food supply.

OIG also found that FSIS inspectors did not take appropriate enforcement actions at 8 of the 30 swine slaughter plants we visited for violations of the HMSA. We reviewed 158 humane handling noncompliance records (violations) issued to the 30 plants and found 10 instances of egregious violations where inspectors did not issue suspensions. As a result, the plants did not improve their slaughter practices, and FSIS could not ensure humane handling of swine.

In addition, FSIS could not determine whether the goals of their pilot program—Hazard Analysis and Critical Control Point (HACCP)-based Inspection Models Project (HIMP)—were met because FSIS did not adequately oversee the program.

FSIS needs to develop a strategy to take progressively stronger enforcement actions against plants with serious or repetitive violations. FSIS should determine what measurable improvement the HIMP program achieved and its suitability as a permanent program. FSIS should also provide a plan on how it will minimize reliance on the inspectors' judgment to ensure they consistently enforce laws. FSIS concurred with all of our recommendations.

### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**Monday, June 3, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

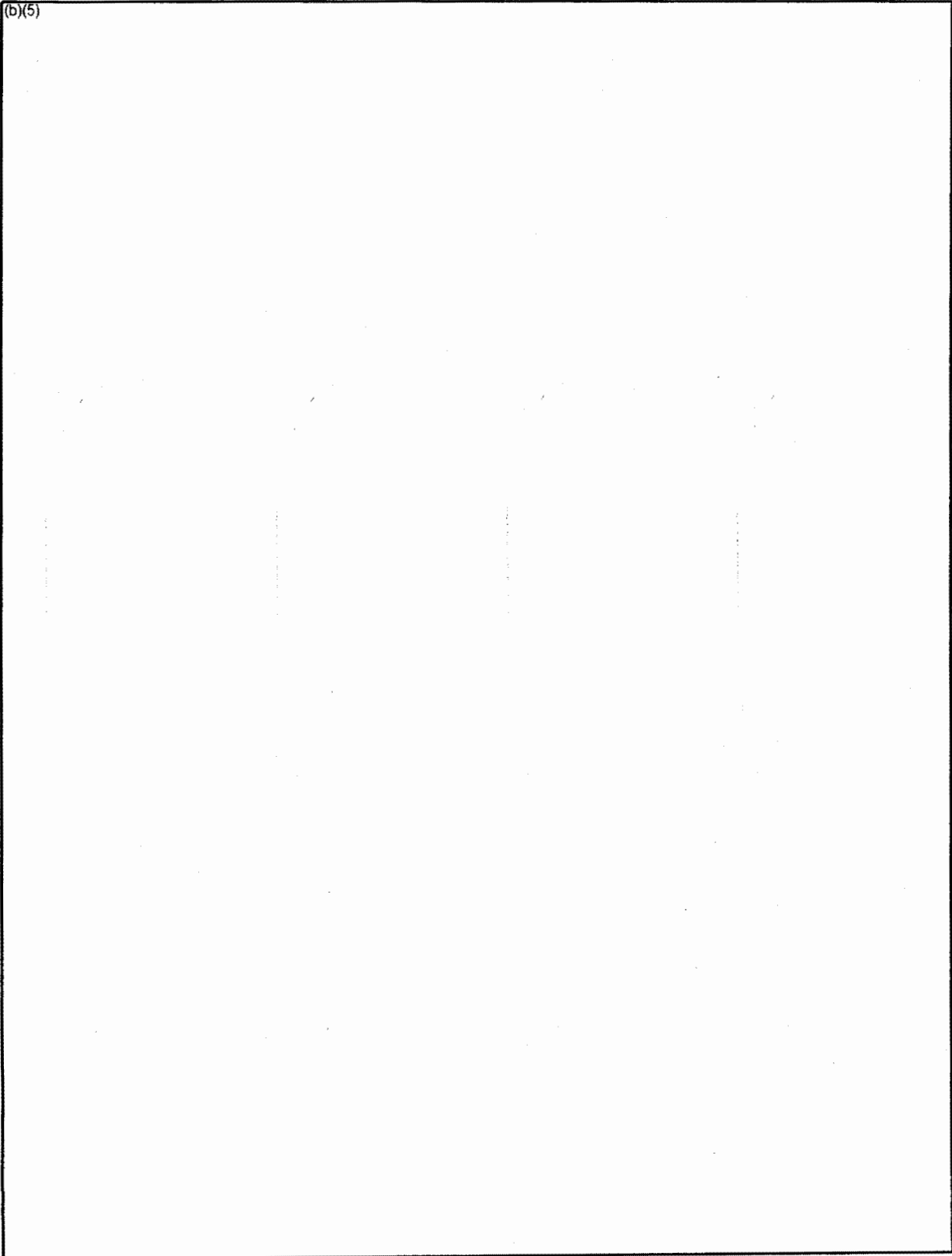
Law Enforcement

Farm Service Agency (FSA)

(b)(5)

Food and Nutrition Service (FNS)

(b)(5)



(b)(5)

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**Grain Inspection, Packers and Stockyards Administration**

(b)(5)

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**Rural Housing Service (RHS)**

(b)(5)

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**Rural Utilities Service**

(b)(5)

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(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT.**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, June 10, 2013**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Farm Service Agency (FSA)

(b)(5)

**Food and Nutrition Service**

(b)(5)



**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, June 17, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

OFFICE OF INSPECTOR GENERAL – June 14, 2013

**Farm Service Agency (FSA)**

(b)(5)

**Rural Utilities Service (RUS))**

**American Recovery and Reinvestment Act (ARRA) Investigative Activities**

No activity to report.

**Investigative Activities**

Nothing to report.

**Audit**

**U.S. Department of Agriculture  
Review of the Department's Travel Card Data  
Audit Report 50024-0003-13  
Issued June 10, 2013**

The Office of Inspector General (OIG) analyzed transaction data for the U.S. Department of Agriculture's (USDA) employee travel cards in order to identify any inappropriate transactions and to determine if USDA is adequately monitoring employee travel card actions.

OIG identified a low incidence of cardholder misuse, and determined that USDA's Office of the Chief Financial Officer (OCFO) and five of six agencies reviewed were following guidelines. However, we identified that 14 of 80 statistically sampled fiscal year 2011 travel card charges were inappropriate because employees used the cards when they were not authorized for official travel. Although other USDA agencies identified such transactions and followed up appropriately, we found that the Forest Service (FS) did not identify nine of the inappropriate charges, because FS was not performing adequate reviews of employee transactions. As a result, we took an additional statistical sample of FS transactions. We found 4.1 percent of the sampled FS transactions (all attributable to four employees) occurred during a time when the employees were not authorized for travel. Further review of the four relevant employees' travel card accounts disclosed that they had used their travel cards approximately 500 times without a travel authorization. FS did not detect this because the checks FS performs are limited and did not identify the instances we noted, and USDA does not currently have an automated check to identify this type of misuse. Due to the misuse, four employees improperly used lines of credit on their travel cards to make personal charges, totaling approximately \$13,700. Further, two of these individuals' accounts were delinquent by a combined total of more than \$3,000. USDA

does not allow employees to carry a delinquent balance, as all official travel expenses are reimbursed to employees.

OIG recommends that FS should pursue disciplinary action against four individuals who misused their USDA travel cards and immediately implement procedures to review employees' travel card transactions to ensure they occur during approved travel dates. ... OCFO and FS generally agreed with our recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, June 24, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report.

**Investigative Activities**

Nothing to report.

**Audit**

**Food and Nutrition Service  
Overlap and Duplication in Food and Nutrition Service's Nutrition Programs  
Audit Number 27001-0001-10  
Issued June 13, 2013**

The Office of Inspector General (OIG) assessed the Food and Nutrition Service's (FNS) nutrition programs to identify potential overlap and duplication.

OIG identified that the potential for overlap and duplication exists among FNS' 15 nutrition programs, and determined that FNS may be duplicating its efforts by providing participants total benefits in excess of 100 percent of daily nutritional needs when households and/or individuals participate in more than one FNS program simultaneously.

Over the years, Congress has directed FNS to establish a variety of separate nutrition assistance programs, with a variety of purposes, objectives, and client bases. With the growing rate of food insecurity among U.S. households and significant pressures on the Federal budget, it is important to understand how food assistance programs complement one another as a safety net, and how services from these 15 individual programs may be inefficient, due to overlap and duplication. FNS, working with Congress and through the budget process, has made attempts to obtain efficiency in its nutrition assistance programs. However, FNS has not performed overreaching assessments to evaluate how effectively and efficiently the programs operate together as the Nation's nutritional safety net. OIG concluded that FNS could potentially achieve cost savings by taking actions to eliminate duplication and overlap in its nutrition assistance programs. However, FNS contends that such an assessment would be costly. Since FNS could not quantify the cost, the agency should determine the resources that would be required to conduct such a study. Then, FNS should determine whether it has the resources to conduct the study or whether additional appropriated funding will be required. While FNS believes that the network of nutrition assistance programs that make up the national nutritional safety net reflects Congress' recognition of a diversity of needs, FNS generally agreed with our recommendations.

We recommended that FNS determine and document the requirements for conducting a study, to identify and determine the extent to which overlap and duplication may exist in FNS' nutritional assistance programs. We also recommended that FNS determine whether they have the resources necessary to conduct the assessment of the potential overlap of its nutrition programs or whether additional funding will be necessary to complete the assessment.

**Food and Nutrition Service**  
**Recovery Act Impacts on Supplemental Nutrition Assistance Program Phase II**  
**Audit Number: 27703-0001-22**  
**Issued June 13, 2013**

The Office of Inspector General (OIG) reviewed the Food and Nutrition Service's (FNS) internal controls for the American Recovery and Reinvestment Act of 2009's (Recovery Act) Supplemental Nutrition Assistance Program's (SNAP) administrative funding to ensure that funds were spent for allowable costs, in accordance with applicable requirements.

The Recovery Act provided additional funds for SNAP administrative costs. OIG found that while FNS made Recovery Act administrative funds available timely for States to use, FNS did not provide adequate accounting guidance, coordination, and oversight to ensure States fully complied with transparency and accountability requirements.

Four of six reviewed States did not separately account for Recovery Act funds for SNAP administrative expenditures. State officials indicated they either did not fully understand the accounting requirements or believed them too cumbersome. Although FNS did provide instruction on how to report Recovery Act funds used, it did not provide adequate guidance to assist States in how to maintain separate identity of Recovery Act expenditures. Also, FNS'

Financial Management Review process did not disclose that States were unable to comply with transparency requirements. Due to the lack of separate accounting, we were unable to gather sufficient evidence in accordance with generally accepted government auditing standards to conclude on the propriety of State uses of Recovery Act SNAP funds for administrative costs.

We also found that two States used funds from one fiscal year to pay for expenses incurred in a different fiscal year, and a third State used funds after the obligation periods had expired. In addition, one county inappropriately used funds for payroll costs not associated with SNAP. As a result, we identified \$470,272 in unallowable expenditures.

FNS should recover unallowable expenditures totaling \$470,272 from three State agencies and one county. FNS agreed with our recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT.**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, July 1, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Nothing to report.

Investigative Activities

Agricultural Research Service (ARS)

(b)(5)



(b)(5)



**Food and Nutrition Service (FNS)**

(b)(5)



**Audit**

**AMERICAN RECOVERY AND REINVESTMENT ACT**

No activity to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, July 8, 2013**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report.

**Investigative Activities**

Nothing to report.

**Farm Service Agency (FSA)**

(b)(5)

**Food and Nutrition Service**

(b)(5)



**Audit**

Nothing to report

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, July 22, 2013**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report.

**Investigative Activities**

Nothing to report.

## Audit

Agricultural Marketing Services  
National Organic Program – Organic Milk Operations  
Audit Number: 01601-0002-32  
Issued July 15, 2013

The Office of Inspector General (OIG) reviewed how the Agricultural Marketing Service (AMS), through the National Organic Program (NOP), implemented the access to pasture rule for organic dairy cattle.

OIG generally found that AMS successfully implemented the access to pasture rule as part of its NOP, but identified several areas where the agency could make improvements.

For example, OIG noted that NOP officials had not clearly defined how producers should demarcate herds of organic milk-producing cattle, which meant that some certifying agents allowed producers to add cattle to organic herds (once a conventional dairy herd is converted (transitioned) to organic, all dairy animals added to the herd must have been born to an organically managed cow). OIG also noted that the NOP needs to include organic feed brokers within the NOP-certification process to ensure that organic feed is not commingled or contaminated. Also, certifying agents conducting yearly inspections of organic milk operations did not take consistent enforcement actions when their inspectors or reviewers identified possible noncompliance issues with U.S. Department of Agriculture (USDA) organic regulations. Finally, OIG found that smaller operations were often unaware of recordkeeping requirements of the access to pasture rule regarding livestock confinement, grazing, or the cattle's dry matter intake.

OIG recommended that guidance for certifying agents be improved to ensure that all organic dairy producers are being treated consistently and ensure that all aspects of organic milk products are complying with USDA organic requirements. AMS concurred with all of the recommendations.

## **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**Monday, July 29, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report.

**Investigative Activities**

**Animal and Plant Health Inspection Service**

(b)(5)

(b)(5)



**Farm Service Agency (FSA)**

(b)(5)



(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)

## **Audit**

**Farm Service Agency  
Fiscal Year 2012 Farm Service Agency Farm Assistance Program Payments  
Audit Report 03401-0002-11  
July 2, 2013**

The Office of Inspector General (OIG) assessed whether the Farm Service Agency (FSA) properly recorded and supported payments made during fiscal year (FY) 2012 through its various farm assistance programs.

The OIG determined that FSA did not properly record and adequately support all FY 2012 FSA program payments. We identified errors related to 12 of the 80 FSA program payments in our statistical sample of farm assistance program payments FSA made in FY 2012. These errors occurred primarily because FSA's internal controls over the Supplemental Revenue Assistance Payments (SURE) program's manual payment calculation process did not prevent the data errors from occurring. Personnel at county offices made errors when inputting the data into the manual workbook used to calculate the payments, and second-party reviewers did not identify these errors. FSA has agreed that these 12 errors resulted in improper payments of \$80,480, and has initiated or completed appropriate corrective actions for all errors. However, based on the results of these 80 sampled payments, we estimated that a total of about \$17 million of FSA's program payments were improper. Our review identified that FSA's rate of improper payments was 2.3 percent, an increase from the 1.4 percent rate we identified in an audit of payments FSA made in FY 2011.

We recommend that FSA officials strengthen controls by emphasizing the importance of second-party reviews, and develop and implement a checklist to verify the integrity of SURE workbook inputs. FSA generally agreed with our recommendation and management decision was reached.

### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, August 5, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Inspector General (IG) Phyllis Fong was invited to speak at the American Institute of Certified Public Accountants (AICPA) National Governmental Accounting and Auditing Conference which will be held at the Marriott Wardman Park Hotel in Washington, D.C., on Monday, August 12, 2013. IG Phyllis Fong, co-presenting with IG Peg Gustafson, Small Business Administration, and IG Jon Rymer, Federal Deposit Insurance Corporation, will speak on current IG community initiatives.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report.

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, August 12, 2013**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Inspector General (IG) Phyllis K. Fong will be on a panel with four other leaders for the 2013 Departmental Women's Equality Day event which will be held on August 22, 2013, in the Jefferson Auditorium, U.S. Department of Agriculture, Washington, D.C.

IG Fong has been invited to speak at the Mountain and Plains Intergovernmental Audit Forum which will be held on August 22-23, 2013, in Denver, Colorado. IG Fong has accepted the invitation and will be speaking via video teleconference on August 23 on Council of Inspectors General on Integrity and Efficiency initiatives.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**  
**Law Enforcement**

**Food and Nutrition Service (FNS)**

(b)(5)



**Investigative Activities**

Nothing to report.

**Audit**

**Food and Nutrition Service  
FNS: Controls for Authorizing Supplemental  
Nutrition Assistance Program (SNAP) Retailers  
Audit Report 27601-0001-31  
July 31, 2013**

In light of news articles on the Supplemental Nutrition Assistance Program (SNAP) trafficking, the Office of Inspector General (OIG) audited the controls that the Food and Nutrition Service (FNS) uses for authorizing, reauthorizing, and disqualifying retailers that participate in SNAP.

OIG found that FNS does not have clear procedures and guidance to carry out key oversight and enforcement activities to address SNAP retailer fraud, or adequate authority to prevent multiple instances of fraud—either by a particular owner or within a particular location. In addition, FNS regional offices put their limited resources towards other activities, such as retailer authorization, rather than assessing and enforcing retailer penalties. These issues occurred because FNS has not yet comprehensively updated its regulations and guidance to reflect the changed fraud risks that accompanied the transition from a stamp-based benefit system to the electronic benefit transfer system. This has led to a retailer authorization process without clear roles and responsibilities for different FNS divisions, inadequate supervisory reviews, and fragmented access to important documents. Finally, FNS does not require retailers to undergo self-initiated

criminal background checks. Although FNS has recently taken several steps to strengthen oversight—such as creating new policy for high-risk retailers and increasing denial rates for business integrity issues—without a proper authorization framework, we found that problems often went undetected or unaddressed.

As a result, the integrity of SNAP is at risk because FNS does not consistently provide deterrents for trafficking. From a sample of 316 locations, we found that FNS did not properly determine potentially \$6.7 million in penalties, and authorized 51 ineligible store owners, who redeemed over \$5.3 million in benefits since 2006. In addition, we identified 586 owners allowed to continue participating in SNAP at other locations after being permanently disqualified, and 90 retail locations that had two or more firms permanently disqualified. OIG accepted management decision on 12 of the 20 recommendations; however, further action from the agency is needed before management decision can be reached for the other recommendations.

OIG recommended that FNS should comprehensively review its policies and procedures, seek legislative change to retain a portion of retailer penalties, require background checks for retailers, strengthen internal guidance, make improvements to its automated retailer data system, create and strengthen safeguards for high-risk stores, and require more supervisory reviews. FNS should also review the owners we identified to determine if they need to be penalized or disqualified from SNAP.

**Food Safety and Inspection Service and the Agricultural Marketing Service  
FSIS' and AMS' Field-Level Workforce Challenges  
Audit Report 50601-0002-31  
July 31, 2013**

The Office of Inspector General (OIG) reviewed how the Food Safety and Inspection Service (FSIS) and the Agricultural Marketing Service (AMS) manage their workforces—employees responsible for inspecting and grading food products—at a time when restricted budgets may impair the agencies' ability to carry out their missions.

OIG found that FSIS and AMS generally managed their workforces effectively, but improvements were needed. OIG found that FSIS inspectors often worked far more hours than their AMS colleagues, a situation that could impair food safety. Both agencies could improve how they monitor or bill industry for their services. FSIS could not adequately reconcile reimbursable overtime charges to industry with the overtime recorded by field staff in its timekeeping system, which could potentially have resulted in up to an estimated \$10.6 million in under-billed overtime and up to an estimated \$4.7 million in overcharges to industry. AMS was unable to charge industry up to an estimated \$40,000 in monthly interest on overdue accounts.

Recently, AMS has allowed some beef plants to use an automated, camera-based system for grading meat. While the cameras can help AMS use its staff efficiently, we question if the new system was established in a way that is objective and transparent to all stakeholders. Additionally, both AMS and FSIS could also work to improve their succession planning to better reflect the best practices of the Federal government. Since AMS graders and FSIS inspectors often work in the same plants, the two agencies have a Memorandum of Understanding in place

to cross-utilize their personnel. We found that the agreement was out-of-date and needed to be revisited. The agencies generally agreed with our recommendations, and we were able to reach management decision on all recommendations.

OIG recommended that both AMS and FSIS improve how they manage overtime and billing of industry, plan for workplace succession, and cross-utilize each other's human capital resources. For AMS, we recommended that it take steps to improve its camera grading system and make the system transparent to the public.

#### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**Monday, August 19, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

Inspector General Phyllis K. Fong accepted a request by Host Brian Lamb of C-SPAN to be interviewed. This interview will generally focus on the role of Inspectors General and their responsibilities, mission, and relationships with their agencies and Congress. The 1-hour taping will take place at the C-SPAN studio in Washington, D.C., on August 29.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

(b)(5)



**Risk Management Agency**

(b)(5)



**Investigative Activities**

Nothing to report.



## **Audit**

### **Agricultural Research Service Contract Closeout Process (Recovery Act) Audit 02703-0001-12 August 14, 2013**

The Office of Inspector General (OIG) assessed the Agricultural Research Service's (ARS) procedures for closing out Recovery Act contracts. ARS used American Recovery and Reinvestment Act of 2009 (Recovery Act) funds to award 134 contracts for repairs to critical systems at its research facilities. Through reviews of eight contracts, OIG found that ARS timely identified funds on physically completed contracts that could be put to better use. ARS did not allow any funds to expire and obtained the proper releases from the contractors. Further, ARS took additional measures to ensure that Recovery Act goals related to transparency and accountability were met.

However, our review disclosed that ARS should strengthen the effectiveness and efficiency of its controls for closing out contracts. For example, ARS' acquisition oversight did not ensure that it properly and timely implemented Federal-wide processes for evaluating contractor performance and sharing information among the Federal acquisition workforce. Also, it did not ensure it achieved desired outcomes, such as the completion of contract closeout, within a 6-month period. This occurred because ARS lacked adequate management oversight over the contract closeout process to ensure that related contracting activities met intended goals. As a result, the Federal procurement workforce lacks necessary information about ARS' contractors' performance, which may result in the selection of a contractor that ARS identified as not performing satisfactorily. Also, ARS cannot confirm that it always closes out contracts in a timely manner, and we cannot state that ARS has effectively taken needed actions to improve its procurement processes.

ARS should take actions related to its internal reviews of the procurement process and develop its guidance for documenting that contracts are consistently and timely closed out. ARS also needs to complete its implementation of a contractor evaluation database used Federal-wide, and strengthen its oversight of the contract closeout process. ARS generally agreed with our recommendations, and we accepted management decision on all recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT.**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, August 26, 2013**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Farm Service Agency (FSA)

(b)(5)

(b)(5)

**Food and Nutrition Service**

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Tuesday, September 3, 2013**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food Safety and Inspection Service (FSIS)

(b)(5)

**Risk Management Agency (RMA)**

(b)(5)



**Investigative Activities**

Nothing to report.

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ David R. Gray, for*

**Monday, September 9, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Animal and Plant Health Inspection Service (APHIS)

(b)(5)

(b)(5)

**Investigative Activities**

Nothing to report.

**Audit**

**Executive Order 13520, Reducing Improper Payments -  
Fiscal Year 2012 High-Dollar Report Review  
Audit Report 50024-0003-11  
Issued August 22, 2013**

The Office of Inspector General (OIG) reviewed information from the Department of Agriculture's (USDA) fiscal year (FY) 2012 quarterly reports on high-dollar overpayments made by programs susceptible to significant improper payments.

To intensify efforts to eliminate payment error, waste, fraud, and abuse in Federal programs, the President issued Executive Order 13520, "Reducing Improper Payments." The Executive Order requires OIG to review USDA's quarterly high-dollar overpayment reports and make recommendations, as necessary, to agencies' plans to recover and prevent high-dollar overpayments.

We found that in the third year of reporting, USDA reported more comprehensive information about high-dollar overpayments than it did in previous years. Specifically, due to improved reporting oversight and processes, USDA reported 239 overpayments, totaling approximately \$20.3 million in FY 2012. This represents an increase of 67 percent over the number of overpayments reported the previous year. However, we determined that the quarterly reports included errors and were published up to 102 days after the due date. This occurred because, although agency chief financial officers certified that information was accurate and met applicable criteria, component agencies' submissions required substantive review by the Office of the Chief Financial Officer (OCFO) to ensure USDA followed the high-dollar reporting guidance appropriately and that only payments that were supposed to be reported were included. Without accurate and timely reporting, the effects of USDA's actions or strategies to eliminate the errors causing high-dollar overpayments are not fully known.

We recommended that OCFO provide additional oversight over component agencies' processes to ensure component agencies' high-dollar overpayment reports comply with departmental high-dollar reporting guidance.

USDA's OCFO agreed with our recommendation.

**Rural Utilities Service  
American Recovery and Reinvestment Act of 2009 – Broadband Initiatives Program –  
Post-Award Controls  
Audit Report 09703-0002-32  
Issued August 22, 2013**

The Office of the Inspector General (OIG) reviewed how the Rural Utilities Service (RUS) administered and measured the outcome of approximately \$3.5 billion in the American Recovery and Reinvestment Act of 2009 (Recovery Act) program-level funding to provide sufficient access to high-speed broadband service to facilitate rural economic development.

With the passage of the Recovery Act, Congress authorized RUS' Broadband Initiatives Program (BIP) to help bring broadband to rural areas of the United States where residents might otherwise not have access to this important technology.

OIG reviewed 247 advances, totaling \$146,446,113 for 86 sampled awards, and concluded that RUS' advances of BIP funds were generally supported. However, we did find that while BIP primarily financed last-mile projects that provide service to end users such as households and businesses, RUS does not have adequate controls to measure and transparently report how effectively BIP is meeting its subscribership goals. Additionally, RUS administered the program differently than as outlined in the *Notice of Funds Availability* (NOFA), such as allowing awards composed of greater than 75-percent grant components without required waivers, or substituting equity for the loan portion without adequately informing all prospective applicants. We found that RUS approved 24 sampled Round Two infrastructure awards (\$149,499,810) that had a greater than 75-percent grant component without waivers. Finally, we found RUS did not advance funds proportionally for 2 of the 86 BIP awards reviewed. These issues generally occurred because RUS did not develop procedures and guidance outlining how various processes were to be carried out.

Generally, we recommended that RUS capture and report actual performance data to measure the impact of each award, formally notify BIP awardees of the possibility to substitute equity for the loan component, and ensure grant/loan combination funds are advanced proportionally. We also recommended that RUS develop and update guidance on how to accomplish each of these tasks.

RUS agreed to strengthen BIP by establishing additional written guidance to address specific processes. We reached management decision on five of seven recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, September 16, 2013**

/s/ Phyllis K. Fong

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

As previously reported, Inspector General Phyllis K. Fong was interviewed by C-SPAN host Brian Lamb on August 29. The interview generally focused on the role of Inspectors General and their relationships with their agencies and Congress. C-SPAN officials advise that plans are to air the program on Sunday, September 22, at 8 p.m. and 11 p.m.; and again on Monday, September 23, at 6 a.m.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

(b)(5)



**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, September 23, 2013**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)



(b)(5)



**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, September 30, 2013**

*/s/ David R. Gray/for*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service (FNS)**

(b)(5)

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**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

USDA's NFC reports Federal employee benefits, enrollment information, and Combined Federal Campaign (CFC) deductions to the Office of Personnel Management (OPM). Reported information includes retirement, health benefits, and life insurance withholdings and contributions; agency-submitted headcounts; and payroll deductions relating to the CFC. In applying agreed-upon audit procedures, we identified differences through calculations, analysis, and comparisons. For instance, we identified that headcounts for military deposit and salary offsets often differed by more than 2 percent, and that reported counts relating to certain types of payers for health, life insurance, and/or retirement benefits differed as well. We also found that total headcounts were sometimes misallocated, and an inconsistency exists in counts for those enrolled with no deductions for retirement and other counts. NFC stated that scheduled programming modifications will correct the majority of the issues identified.

Additionally, we identified differences related to CFC deductions for employees at duty stations with no CFC, accounting code differences, and instances of incorrect CFC pledge form use. Generally, NFC attributed the CFC errors to manual processes and human error, including by personnel at various agencies. NFC noted the low error rate overall, and stated it was responsible for processing very few of the transactions identified as differences.

Our sample document review disclosed eight errors for benefits entered into the system by entity staff. Furthermore, we were unable to verify entries for 151 personnel documents we tested because entities' personnel officers were unable to locate the documents. However, to ensure that information from the system was accurate, we performed any applicable calculations for salary, retirement, life, and health insurance. We noted no exceptions.

We do not make any recommendations in this report.

**Natural Resources Conservation Service  
Administration of Easement Programs in Wyoming  
Audit Report 10099-0001-31  
Issued September 27, 2013**

The Office of Inspector General (OIG) performed a review and determined that, while the Natural Resources Conservation Service (NRCS) State office in Wyoming did not fraudulently process easements, NRCS needs to strengthen its accountability and oversight of easement programs.

In February 2013, after learning that the Wyoming State office disregarded policy requirements, as well as specific written instructions from NRCS' national office and the Office of the General Counsel not to proceed with processing several Wetlands Reserve Program easements, NRCS conducted a functional review of the Wyoming State office's administration of the Farm and Ranch Lands Protection Program, Grassland Reserve Program, and Wetlands Reserve Program. NRCS then requested that the OIG review the Wyoming State NRCS office's administration of easement programs. Specifically, NRCS expressed concerns over potential employee misconduct and the causes of other serious issues noted in its recent functional review.

While we did not note any indication of fraud or purposeful misconduct, we found that NRCS needs to ensure that its employees are sufficiently knowledgeable to carry out their duties, and to strengthen oversight and accountability of employees' work. Specifically, both the program

specialists responsible for processing these easements and the officials responsible for supervising their employees demonstrated a lack of critical program knowledge. We also found that NRCS did not have an adequate system of review in place to ensure that employees were properly reviewed and held accountable. As a result, the Wyoming State office approved at least \$14.1 million in easements that were not correctly processed and did not ensure that the Government's interest in the easements would be served and secured. .OIG recommended that the NRCS national office should increase its oversight over State offices' administration of easement programs through revising its current processes or establishing a process through which State offices have their easement approval and administrative activities periodically reviewed. Additionally, NRCS should take appropriate administrative or disciplinary action and complete corrective action to address the deficiencies identified in the functional review report. Until these actions are completed, the Wyoming State office's easement program and budget authorities should be withheld.

NRCS agreed with our finding and we accepted management decision on all seven recommendations.

**Office of Procurement and Property Management  
Review of Procurement Operations  
Audit Report 92501-0001-12  
Issued September 27, 2013**

The Office of Inspector General (OIG) audited the Office of Procurement and Property Management's (OPPM) Procurement Operations Division (POD) to evaluate the effectiveness of the controls in place to ensure the integrity of the procurement process.

POD is responsible for processing procurements for Departmental Management and staff offices. .OIG reviewed POD's controls over the procurement process and found several issues POD needs to address. First, POD was not keeping sufficient documentation during the acquisition and invoicing processes for Departmental Management and staff office information technology (IT) procurements. This occurred because POD did not require a centralized method or system—such as the Integrated Acquisition System (IAS) or the Enterprise Content Management system (ECM)—to track and store all documentation. Second, Departmental Management and staff office personnel had issues with IAS user accounts, including undefined user roles and users with excessive access abilities. This occurred because the Procurement Systems Division (PSD), which manages IAS, has not kept the system up-to-date to safeguard against vulnerabilities, including the documentation of how IAS integrates with the Department's new accounting system. We found that a POD contracting officer signed three contract actions that exceeded the contracting officer's warrant authority. This went undetected by POD because it did not have formalized policies and procedures to monitor contracting officers' actions, which was conveyed to management in November 2011.

OIG recommended OPPM should require a centralized repository for procurement and invoicing documents, and update IAS guidance to address user account issues and how IAS will interface with the Department of Agriculture's new financial system. We also recommended that OPPM identify whether other contracting officers have exceeded their warrant authority and established internal controls to ensure warrant levels are not exceeded.



OPPM generally agreed with OIG's findings and we have reached management decision on 10 of the report's 12 recommendations.

**U.S. Department of Agriculture  
Office of Homeland Security and Emergency  
Coordination – Classification Management  
Audit Report 61701-0001-32  
Issued September 27, 2013**

The Office of Inspector General (OIG) reviewed the Department of Agriculture's (USDA) process for classified documents in order to determine if the Personnel and Document Security Division (PDSD) is adequately managing USDA's classified national security information program, as required by the *Reducing Over-Classification Act*.

This is the first of two reports required by the *Reducing Over-Classification Act* to determine USDA's compliance with Federal regulations. The Act was designed to prevent information from being over-classified and over-compartmentalized, and to promote information sharing, as prescribed by Federal guidelines.

PDSD focuses on safeguarding national security information within USDA. We found that PDSD lacks proper guidance for eight key areas relating to classification management, and does not have a records management system that would identify documents that need to be declassified or reviewed for continued national security. We also found that USDA's classification guide was missing required elements needed for proper derivative classification decisions. PDSD also needs to improve its reviews of classified markings on documents. Additionally, PDSD does not always obtain and maintain adequate statistics related to the security classification program and USDA does not ensure that its subordinate agencies are conducting self-inspections in accordance with regulations and procedures. Finally, PDSD's classification management training content and documentation need to be improved, particularly in providing required information to individuals with security clearances. As a result, there is a greater potential for over-classifying or improperly releasing national security information.

OIG recommended that USDA should ensure records management, departmental regulations, procedures, and the classification guide reflect Federal classification requirements, and review all USDA classified documents to correct improper markings. The original classification authority should direct all subordinate agencies to report self-inspections and program statistics. PDSD should develop, record, and track all training that meets Federal requirements.

OIG accepted management decision on 8 of the 17 recommendations; however, further action from the agency is needed before management decision can be reached for the other recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong** *Phyllis K. Fong* **Monday, October 28, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives  
Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency (FSA)**

(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)



**Forest Service (FS)**

(b)(5)



**Audit**

**Foreign Agricultural Service, Farm Service Agency, and  
National Institute of Food and Agriculture  
American Recovery and Reinvestment Act – Trade Adjustment Assistance for  
Farmers Program  
Audit Report 50703-0001-23  
Issued October 18, 2013**

The Office of Inspector General (OIG) audited the Foreign Agricultural Service (FAS), the Farm Service Agency (FSA), and the National Institute of Food and Agriculture's (NIFA) administration of the Trade Adjustment Assistance for Farmers (TAAF) Program and assessed the agencies' implementation of program requirements. The TAAF Program is administered by

three agencies: FAS, the lead oversight agency; FSA, which approves producer applications and makes payments to producers; and NIFA, which provides training and technical assistance for producers. While we found that FAS reported information, such as the amount of funding spent, on Recovery.gov as required, we found issues with the remaining objectives: agencies did not have the appropriate controls in place to ensure that TAAF Program participants were eligible, payments were accurate, or oversight was sufficient. Specifically, FAS did not return unobligated and unneeded fiscal year (FY) 2009 TAAF Program funds to the Treasury, which amounted to approximately \$65.1 million. Further, FAS granted a broad approval for all eligible producers of five commodities in specified counties or States called price pre-certifications. However, we found that two price pre-certifications did not meet eligibility criteria because FAS did not sufficiently analyze documentation. As a result, 13 of 37 producers we reviewed did not individually show a price decline and received approximately \$64,600. FAS also did not effectively monitor or review FSA's administration of the program, which allowed 85 producers to receive approximately \$284,000 in benefits to which they were not entitled; however, we only identified approximately \$85,000 of these funds. Also, we found that NIFA did not ensure that the TAAF Program database was compliant with Federal information system security requirements. While FAS and FSA generally agreed with our recommendations, NIFA disagreed with our recommendations.

FAS should review its financial accounts for unused funds. Further, if this program is funded after FY 2013, FAS should strengthen its eligibility process and perform ongoing oversight reviews. FSA should review the records of producers that refused submission to OIG, include the program as part of its annual review, and implement stronger controls over its manual override process. NIFA should immediately complete the certification and accreditation process for the program database and implement interim procedures until completed.

**National Finance Center**  
**Statement on Standards for Attestation Engagements No. 16, Report on Controls at the**  
**National Finance Center for October 1, 2012, to July 31, 2013**  
**September 27, 2013**  
**Audit Report 11401-0005-11**

(b)(5)

(b)(5)

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, November 4, 2013**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

Inspector General (IG) Phyllis K. Fong was invited to speak at the National Intergovernmental Audit Forum which will be held at the U.S. Patent and Trademark Office in Alexandria, Virginia, on November 20, 2013. IG Fong along with Mr. Ronald Jones, Chief Examiner, Department of Examiners of Public Accounts, Alabama; and Jerry Heer, Director of Audits, Audit Services Division, Milwaukee County Office of the Comptroller, will be speaking on current issues in the Federal, State, and local oversight communities.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency (FSA)**

(b)(5)

(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)

(b)(5)



(b)(5)

(b)(5)



**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong** ...

**November 18, 2013**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service (FNS)

(b)(5)

(b)(5)



**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**November 25, 2013**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)



(b)(5)



**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**December 2, 2013**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service (FNS)

(b)(5)

(b)(5)



**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**December 9, 2013**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives  
Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food Safety and Inspection Service**

(b)(5)



(b)(5)

**Food and Nutrition Service**

(b)(5)

**Audit**

**USDA  
In re Black Farmers Discrimination Litigation  
Report 50601-0001-21  
Issued December 4, 2013**

The Office of Inspector General (OIG) conducted a performance audit of the claims process for the *In re* Black Farmers Discrimination Litigation (BFDL) settlement based on a statistical sample of provisionally adjudicated claims.

Before the deciding official (known as the Neutral) finalized decisions regarding BFDL claims, OIG conducted audit work to evaluate the integrity and consistency of the processes applied to claimants. Overall, nothing came to our attention to indicate that the claims process was not

implemented in accordance with the BFDL settlement agreement. However, we identified three findings:

- The Neutral's adjudicators reached different conclusions for claims that essentially contained the same information. For claims that were similar, they approved some and denied others. We identified 8 such claims in our random sample of 100 claims.
- The Claims Administrator (CA) had not identified all instances where multiple claims may have been filed for a single farming operation or an individual class member. We identified seven such claims in our random sample.
- The Neutral had provisionally approved at least 20 persons who were ineligible for a BFDL award because they had participated in the Pigford v. Glickman settlement.

We discussed these issues with officials from the CA and the Neutral in June 2013. After our meeting, the CA and the Neutral provided us with documentation that supported the actions they had taken, demonstrated how they addressed each of our findings, and detailed additional actions they planned to take prior to the final adjudication of claims. Their stated actions should mitigate our audit findings. We plan to test the effectiveness of the actions in a subsequent audit.

The Neutral and the CA have taken action to address the concerns we brought to their attention during the course of our audit; therefore, we are making no formal recommendations at this time.

#### **Commodity Credit Corporation**

#### **Commodity Credit Corporation's Financial Statements for Fiscal Years 2013 and 2012 Report 06401-0003-11 Issued December 5, 2013**

CliftonLarsonAllen (CLA) audited the Commodity Credit Corporation's (CCC) financial statements for fiscal years 2013 and 2012 and issued an unmodified opinion, finding that CCC's financial position and related budgetary concerns were presented fairly and in accordance with generally accepted accounting principles. Concerning CCC's internal control structure over financial reporting, the auditor identified two significant deficiencies in CCC's funds control and controls over child agency financial reporting. CLA considered the first significant deficiency to be a material weakness. CCC generally acknowledged the significant deficiencies discussed in this report and is implementing corrective action.

#### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong** ...  
*/s/ Phyllis K. Fong*

**December 16, 2013**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service (FNS)**

(b)(5)



**Audit**

**Food and Nutrition Service  
Food and Nutrition Service's Financial Statements for  
Fiscal Years 2013 and 2012  
Report 27401-0003-21  
Issued December 6, 2013**

The Office of Inspector General (OIG) performed the annual audit of the Food and Nutrition Services (FNS) financial statements for fiscal years 2013 and 2012.

FNS received an unmodified opinion from OIG's audit of the FNS consolidated financial statements. We determined that the agency's financial statements for the Fiscal Years 2013 and 2012 present fairly, in all material respects, FNS' financial position as of September 30, 2013 and 2012, and that they conform with accounting principles generally accepted in the United States of America. This includes the agency's net costs, changes in net position, and statements of budgetary resources.

Our consideration of FNS' internal control over financial reporting identified no significant deficiencies or material weaknesses. However, our consideration of compliance with laws and regulations noted an instance of noncompliance with the Improper Payments Elimination and Recovery Act of 2010.

This report does not include any recommendations.

**Rural Development**  
**Rural Development's Financial Statements for Fiscal Years 2013 and 2012**  
**Report 85401-0003-11**  
**Issued December 10, 2013**

The Office of Inspector General (OIG) performed the annual audit of Rural Development's consolidated financial statements for fiscal years 2013 and 2012.

Rural Development received an unmodified opinion from OIG's audit of Rural Development's consolidated financial statements. We determined that the agency's financial statements for the 2013 and 2012 fiscal years present Rural Development's financial position as of September 30, 2013, and 2012, fairly in all material respects, and were prepared in accordance with accounting principles generally accepted in the United States of America. This includes the agency's net costs, changes in net position, and statements of budgetary resources.

Our consideration of Rural Development's internal control over financial reporting identified no material weaknesses. However, our consideration of compliance with laws and regulations noted an instance of noncompliance with the Improper Payments Elimination and Recovery Act of 2010.

This report does not provide recommendations.

**Risk Management Agency**  
**Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for**  
**Fiscal Years 2013 and 2012**  
**Report 05401-0003-11**  
**Issued December 12, 2013**

Independent auditor KPMG audited Federal Crop Insurance Corporation (FCIC)/Risk Management Agency (RMA) FCIC/RMA's financial statements for fiscal years 2013 and 2012 and issued an unmodified opinion, finding that FCIC/RMA's financial position and related budgetary concerns were presented fairly and in accordance with generally accepted accounting principles. Concerning FCIC/RMA's internal control structure over financial reporting, the auditor identified one significant deficiency in FCIC/RMA's estimated losses on insurance claims calculation. KPMG considered this to be a material weakness. FCIC/RMA generally acknowledged the significant deficiency discussed in this report and is implementing corrective action.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**December 23, 2013**

*/s/ David R. Gray /for*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)

(b)(5)



**Natural Resources Conservation Service (NRCS)**

(b)(5)



**Rural Housing Service (RHS)**

(b)(5)





(b)(5)



**Audit**

**Department of Agriculture's Closing Package Financial Statements for  
Fiscal Years 2013 and 2012  
Report 50401-0006-11  
Issued December 17, 2013**

The U.S. Department of Agriculture's fiscal years 2013 and 2012 special purpose financial statements received an unqualified opinion. We found no material weaknesses in internal control over the financial reporting process and our tests of compliance with Treasury regulations disclosed no instances of noncompliance that were required to be reported.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**December 30, 2013**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency (FSA)**

(b)(5)



(b)(5)

**Food and Nutrition Service**

(b)(5)

(b)(5)

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**January 27, 2014**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

**Animal and Plant Health Inspection Service (APHIS)**

(b)(5)



(b)(5)



Farm Service Agency (FSA) Food and Nutrition Service

(b)(5)



Food and Nutrition Service

(b)(5)



Audit

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong

February 4, 2014

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

The Washington, D.C., chapter of the Association of Government Accountants (AGA) has awarded Inspector General Phyllis K. Fong the 2014 Distinguished Federal Leadership Award. The category is for elected or PAS officials who "exemplify or promote excellence in government management and have demonstrated outstanding leadership in enhancing sound financial management legislation, regulations, practices, policies, and systems." IG Fong will be accepting this prestigious award at the AGA's Annual National Leadership Training Awards Luncheon which will be held at the Ronald Reagan Building and International Trade Center in Washington, D.C., on February 11, 2014.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report.

**Audit**

**Agricultural Marketing Service  
AMS Oversight of the Beef Promotion and Research Board's Activities  
Report 01099-0001-21  
Issued January 28, 2014**

The Office of Inspector General (OIG) reviewed the Agricultural Marketing Service's (AMS) and the beef board's procedures designed to monitor activities related to the beef checkoff program. OIG also examined the internal controls related to beef checkoff fund transactions.

Overall, we concluded that AMS' oversight as an internal control function needs improvement. In our view, this resulted in agency officials having reduced assurance that beef checkoff funds were collected, distributed, and expended in accordance with the Beef Research and Information Act, as amended, and the Beef Promotion and Research Order. We found that AMS had not conducted periodic management reviews of the beef board, and the agency's procedures for conducting these reviews could be improved.

AMS needs to develop and implement oversight procedures specific to the beef board and perform management reviews of the beef checkoff program. OIG also recommends that the beef board require detailed estimates of project implementation costs. AMS has agreed with our recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong

February 10, 2014

/s/ David R. Gray/for

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

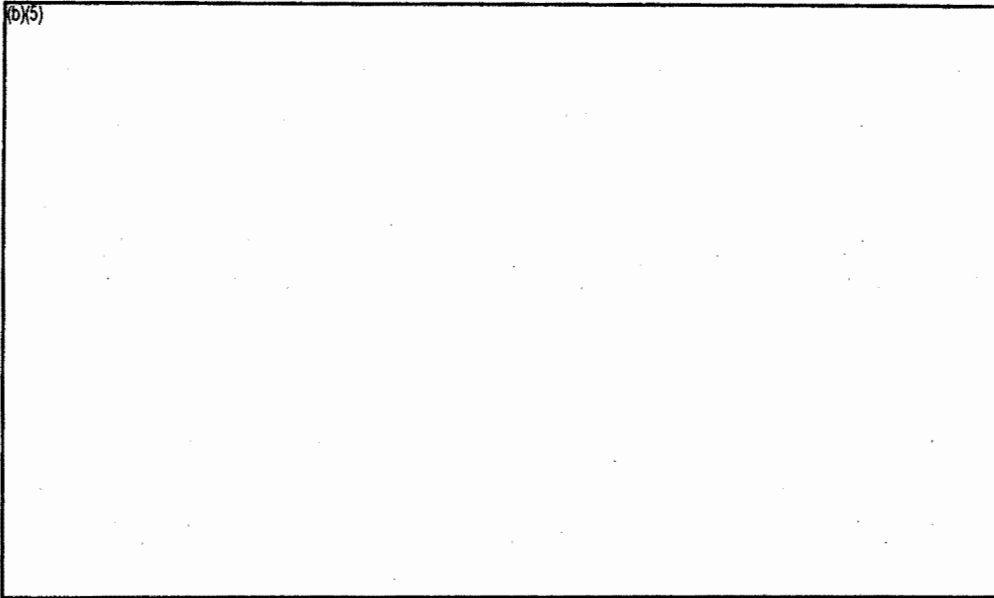
Food and Nutrition Service

(b)(5)



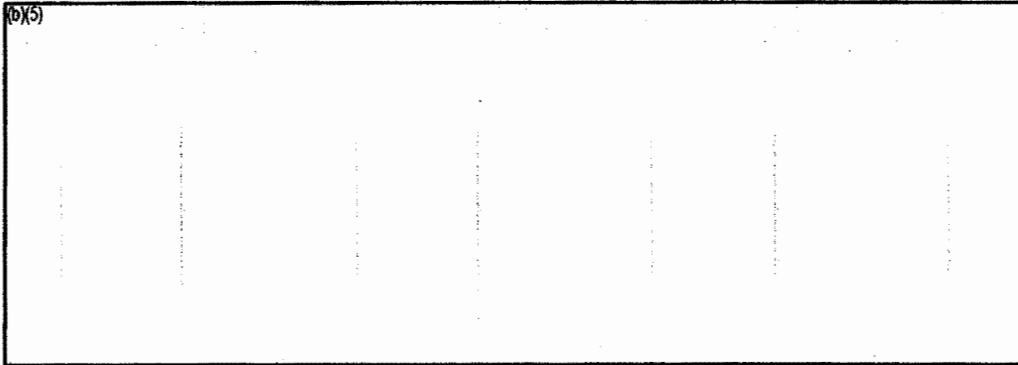


(b)(5)



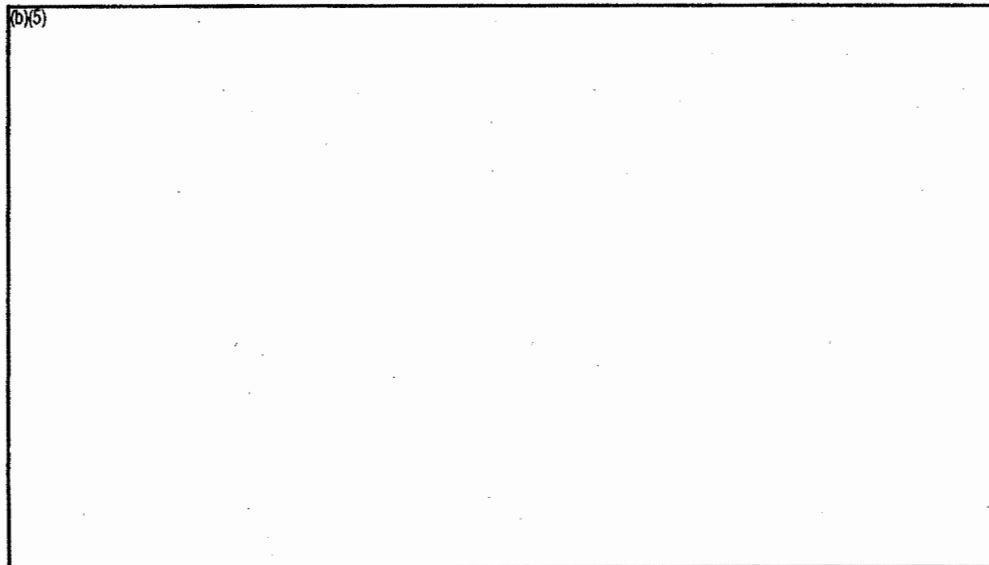
**Food Safety and Inspection Service**

(b)(5)



**Farm Service Agency (FSA)**

(b)(5)



Audit

**Foreign Agricultural Service  
Section 632(a) Transfer of Funds from USAID to USDA for Afghanistan  
Audit 50601-0002-16  
Issued February 6, 2014**

The Office of Inspector General (OIG) evaluated the Foreign Agricultural Service's (FAS) monitoring and oversight controls over Section 632(a) funds for capacity-building projects in Afghanistan.

In June 2010, the U.S. Agency for International Development (USAID) transferred \$86.3 million to the Department of Agriculture (USDA) for capacity-building activities in Afghanistan. OIG found that senior managers at FAS were aware of general control weaknesses in 2010 before first receiving the funding, and hired a consulting firm to review FAS processes for managing Section 632(a) funds from USAID. Although the firm identified several deficiencies in its report, issued in October 2010, FAS did not adequately implement corrective actions to strengthen its control environment before accepting the funds from USAID. Specifically, we found that FAS had not implemented performance monitoring plans for all projects until over 2 years after the first project began, which meant that FAS did not have adequate methods to monitor recipient accomplishment of program goals and objectives. Also, FAS did not finalize or implement a grant management structure that would facilitate effective monitoring of recipients' fund use. This occurred because FAS managers and senior officials did not clearly understand who was responsible for correcting control deficiencies and implementing recommendations. Additionally, FAS did not identify or adopt procedures from its other program areas to assist in the monitoring and oversight. Without adequate management controls in place, FAS cannot effectively monitor Section 632(a)-funded projects in Afghanistan, and faces difficulty in providing adequate assurance that the funds are effectively accomplishing program goals. We did not identify any instances where transferred funds were not used in accordance with the Memorandum of Agreement or the cooperative agreement.

We recommend that FAS forego accepting further Section 632(a) funds until it has fully implemented a formal monitoring and evaluation process and a grants management structure. FAS also needs to implement the recommendations outlined in the consulting firm's review. While FAS agreed with all recommendations, we accepted management decision on one of the two recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong

February 18, 2014

/s/ David R. Gray/for

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

Preparations are being made for the fiscal year 2015 appropriations hearing before the House Agriculture Appropriations Subcommittee. The date for testimony by Inspector General Phyllis Fong is March 5.

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Animal and Plant Health Inspection Service

(b)(5)

(b)(5)

Audit

(b)(5)

AMERICAN RECOVERY AND REINVESTMENT ACT  
Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong

February 24, 2014

/s/ Phyllis K. Fong

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service (FNS)

(b)(5)

(b)(5)

Audit

Nothing to report.

American Recovery and Reinvestment Act  
Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong  
*/s/ Phyllis K. Fong*

March 3, 2014

**Reform Based Actions**  
Nothing to report.

**Expected Media**  
Nothing to report.

**Outreach and Results**  
Nothing to report.

**Expected Legislative or Policy Issues**  
Nothing to report.

**Potential or Expected Legal Issues**  
Nothing to report.

**Events - Travel /Speeches of Agency Executives**  
Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**  
Nothing to report.

**Other Items of Interest**  
Law Enforcement

Risk Management Agency

(b)(5)





(b)(5)

## Audit

**National Agricultural Statistics Service  
Security Review of National Agricultural Statistics Service's Lockup Procedures  
Audit Report 26501-0001-12  
Issued February 21, 2014**

The Office of Inspector General (OIG) audited the effectiveness of the National Agricultural Statistics Service's (NASS) lockup procedures for securing market sensitive commodity data before their official release.

OIG found that NASS' management needs to improve the security of its sensitive commodity market data and other information technology (IT) resources. We found that NASS did not adequately enforce critical procedures and physical security measures meant to protect the security of NASS' information. Notably, although banned from lockup, OIG was able to bring a cell phone into lockup and witnessed a reporter using an iPad during lockup. In addition, NASS had not taken mitigating actions to address outstanding IT vulnerabilities, thereby putting NASS' systems at risk. As a result, sensitive information could be compromised or leaked before its official release, which could adversely affect equitable trading in commodity markets. OIG notes that NASS experienced data release issues and has not yet remedied the underlying causes.

These issues occurred because NASS has not established a formal process for effectively monitoring lockup, nor a systematic process for documenting and following up on recommendations. Managers also did not review lockup procedures for gaps, adequately oversee contracted guards and equipment inventories, and were unaware of or did not have resources to meet Federal security requirements. NASS stated that it has taken action to address the majority of the issues found, and management decision has been reached for 14 of the 17 recommendations.

OIG recommended that NASS develop, implement, and document periodic internal reviews for the entire lockup process, and submit the results to an independent evaluator for follow-up. NASS should also take action to mitigate IT vulnerabilities; implement controls to prevent data release delays; improve the physical security of lockup, IT equipment, and server rooms; and take steps to further secure sensitive data.

AMERICAN RECOVERY AND REINVESTMENT ACT

Nothing to report.

Weekly Report to the President  
Office of Inspector General

**Inspector General Phyllis K. Fong**

**March 10, 2014**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Animal and Plant Health Inspection Service

(b)(5)



(b)(5)



Food and Nutrition Service

(b)(5)



Audit

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong

March 18, 2014

*As: Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Farm Service Agency (FSA)

(b)(5)

Food and Nutrition Service

(b)(5)



**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong

March 31, 2014

/s/ Phyllis K. Fong

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

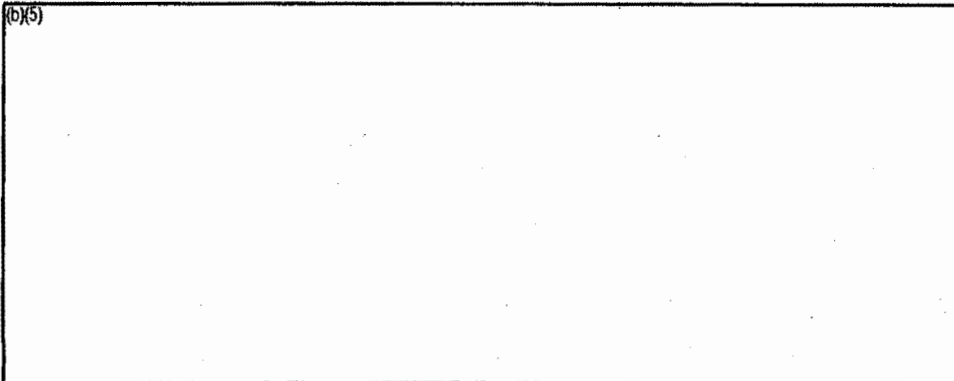
Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service (FNS)

(b)(5)



(b)(5)



Audit

**Rural Development  
Rural Business-Cooperative Service Grant Programs-Duplication  
Report 34601-0001-31  
Issued March 25, 2014**

The Office of Inspector General (OIG) examined whether payment duplication or overlap of goals and objectives occur in the Rural Business-Cooperative Service (RBS) grant and loan programs.

OIG found that while Congress created each RBS grant and loan program to serve a specific niche, additional programs added over the years have led to overlapping goals and objectives. We examined nine RBS programs, and found that five have areas of duplication, overlap, and fragmentation—in that they share similar purposes, while serving some of the same organizations. In the budget request for fiscal year 2014, Rural Development and the Office of Management and Budget proposed a new grant program that would consolidate these same five programs. However, the proposed program lacked any analysis of potential cost savings and efficiencies to be gained, and Congress did not enact it because it was unproven and would adversely impact families and communities in rural America. As a result, Rural Development staff must be continuously trained on the specific needs of multiple programs, some of which are small and minimally funded.

We also found that one of the eight entities we reviewed improperly received grants for the same purposes, as RBS approved two grant applications that were almost identically worded. Another entity out of the eight did not properly manage the grants it was awarded. This occurred because RBS has no consistent, overall controls to prevent award approval and reimbursement for expenses for the same purpose. As a result, RBS has reduced assurance that grants to the two entities, totaling \$552,148, were not made for duplicate purposes. RBS is also at risk for potentially making improper payments for duplicate activities and imprudent use of resources. The agency generally agreed with our five recommendations.

We recommend that RBS conduct the necessary research and analyses to determine if efficiencies can be gained from the proposal for a new, consolidated grant program. Also, RBS should establish procedures at the national office level to require States to implement controls for preventing duplication. Finally, RBS should recover \$82,878 in improper grant disbursements.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong

April 7, 2014

/s/ Phyllis K. Fong

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

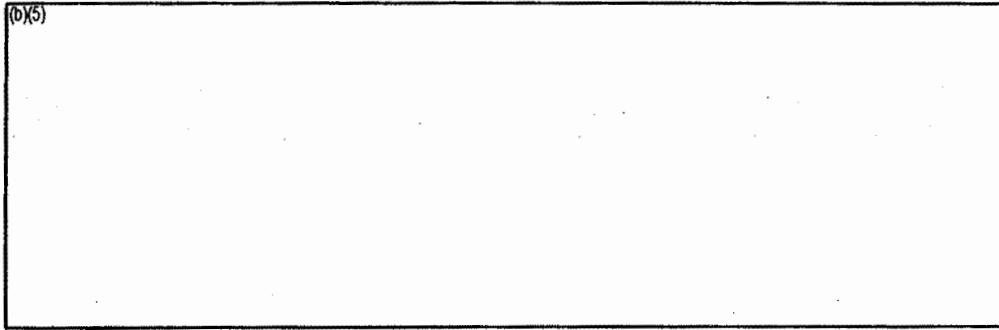
Law Enforcement

Animal and Plant Health Inspection Service

(b)(5)

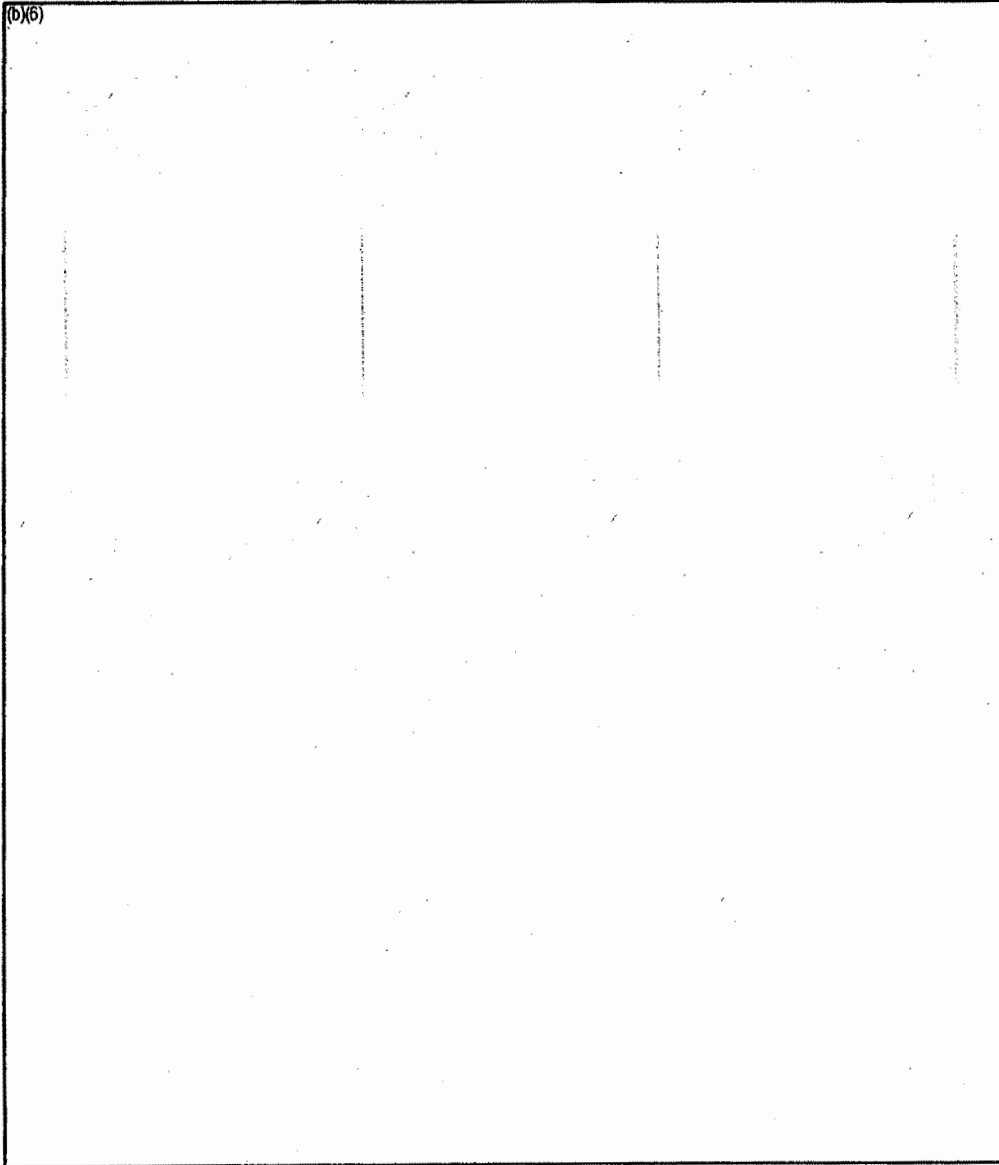
Farm Service Agency (FSA)

(b)(5)



Food and Nutrition Service (FNS)

(b)(6)



(b)(5)

*Food Safety and Inspection Service (FSIS)*

(b)(5)

**Audit**

**Foreign Agricultural Service**  
***Private Voluntary Organization Grant Fund Accountability***  
**Report 07601-0001-22**  
**Issued March 31, 2014**

The Office of Inspector General (OIG) evaluated whether the Foreign Agricultural Service (FAS) has adequate controls to ensure that Private Voluntary Organizations (PVO) are making proper use of Food for Progress Program food aid program funds.

FAS' Food for Progress Program, which totals approximately \$734.5 million, seeks to improve agricultural productivity and expand agricultural trade. OIG's prior reviews of FAS' food aid programs disclosed internal control weaknesses with its monitoring and closing of food aid agreements. As a result of our previous audits, FAS has implemented corrective actions, such as developing and implementing a Food Aid Information System for administering food aid

program agreements, providing staff training, issuing new regulations, and hiring consultants to assess its management controls over its food aid programs.

However, our current audit of FAS' Food for Progress Program identified similar, significant program management control weaknesses. FAS does not have effective controls in place to monitor and close out agreements. Also, FAS' controls did not ensure that: (1) PVOs reported financial information completely and accurately in their semiannual reports; (2) PVOs established separate bank accounts to administer agreements; and, (3) interest earnings were remitted on advanced Commodity Credit Corporation administrative funds. This occurred because FAS lacks strong management over the program. We found that FAS had not fully overseen these program agreements, nor had it implemented performance indicators or measures to assess its accomplishments. These weaknesses resulted in questioned and unsupported costs totaling \$685,646, and funds to be put to better use totaling \$8,481.

Without strengthening its oversight of Food for Progress Program agreements, FAS cannot ensure Federal resources are used efficiently and effectively. While FAS generally agreed with all recommendations, we accepted management decision on 6 of the 11 recommendations.

#### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong

April 14, 2014

/s/ Phyllis K. Fong

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)



Audit

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

Weekly Report to the President  
Office of Inspector General

**Inspector General Phyllis K. Fong**

**April 21, 2014**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)



(b)(5)



Rural Development (RD)

(b)(5)



Audit

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong

April 28, 2014

/s/ Phyllis K. Fong

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)

Forest Service (FS)

(b)(5)

Audit

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

Weekly Report to the President  
Office of Inspector General

**Inspector General Phyllis K. Fong**

May 12, 2014

*/s/ David R. Gray for*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Animal and Plant Health Inspection Service

(b)(5)



(b)(5)

Food and Nutrition Service (FNS)

(b)(5)

(b)(5)

(b)(5)



Food Safety and Inspection Service

(b)(5)



(b)(5)

Audit

Nothing to report.

AMERICAN RECOVERY AND REINVESTMENT ACT

Nothing to report.



Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong  
*/s/ Phyllis K. Fong*

May 19, 2014

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)



(b)(5)



**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong  
/s/ Phyllis K. Fong

May 27, 2014

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**  
Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)



(b)(5)



Audit

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong

June 2, 2014

*/s/ David R. Gray/ for*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Animal and Plant Health Inspection Service

(b)(5)

(b)(6)



*Farm Service Agency (FSA)*

(b)(5)

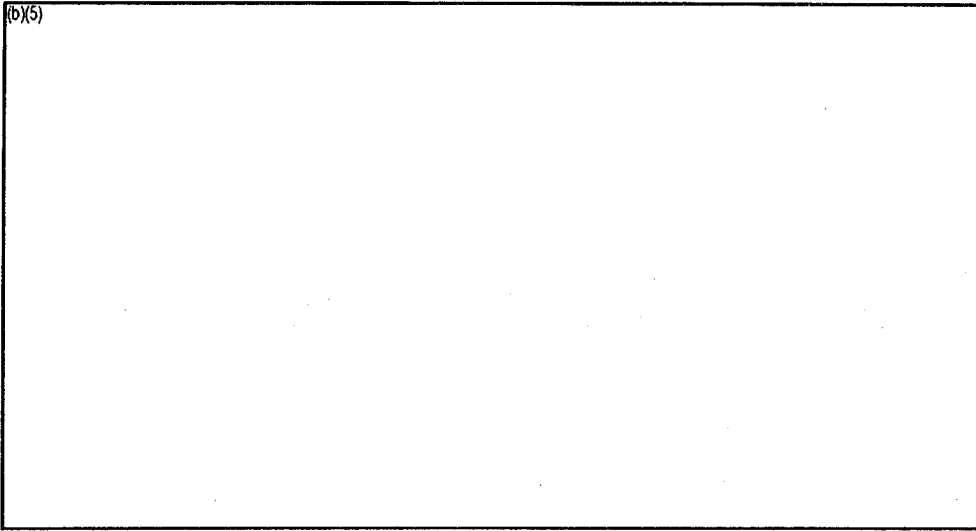


*Food and Nutrition Service (FNS)*

(b)(5)

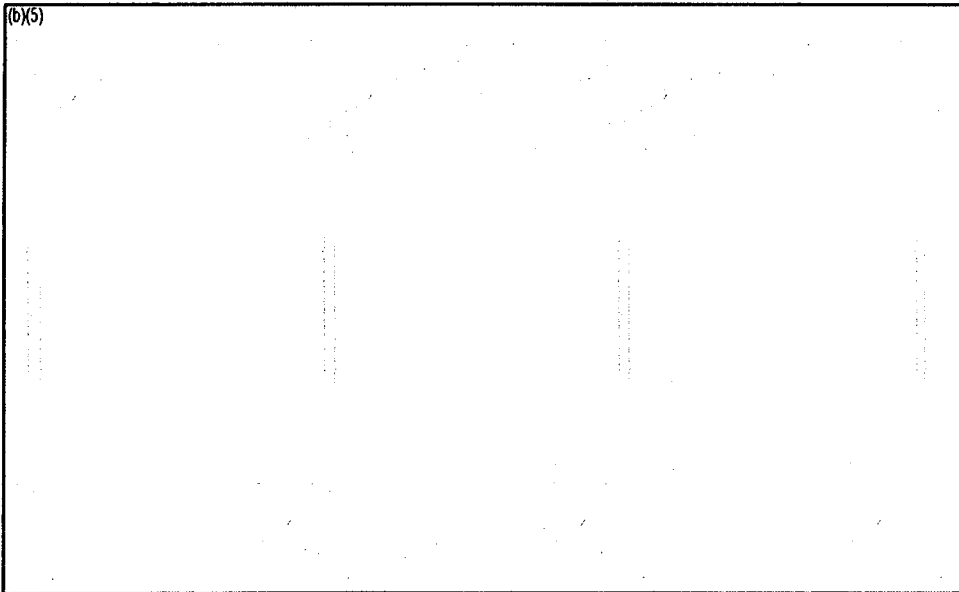


(b)(5)



*American Recovery and Reinvestment Act (ARRA) Investigative Activities*

(b)(5)



**Audit**

Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong

June 9, 2014

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service (FNS)

(b)(5)



(b)(6)

(b)(5)

Audit

Nothing to report.

AMERICAN RECOVERY AND REINVESTMENT ACT

Nothing to report.

Weekly Report to the President  
Office of Inspector General

Inspector General Phyllis K. Fong

June 16, 2014

/s/ David R. Gray/ for

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)

(b)(5)

(b)(5)



**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President**  
**Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/David R. Gray/for*

**June 23, 2014**

**Reform Based Actions**  
Nothing to report.

**Expected Media**  
Nothing to report.

**Outreach and Results**  
Nothing to report.

**Expected Legislative or Policy Issues**  
Nothing to report.

**Potential or Expected Legal Issues**  
Nothing to report.

**Events - Travel /Speeches of Agency Executives**  
**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**  
Nothing to report.

**Other Items of Interest**  
**Law Enforcement**

**Farm Service Agency (FSA)**

(b)(5)



**Food and Nutrition Service (FNS)**

(b)(5)



**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT.**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Animal and Plant Health Inspection Service (APHIS)**

(b)(5)

**Food and Nutrition Service (FNS)**



(b)(5)

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

(b)(6)

**Inspector General Phyllis K. Fong**

**June 30, 2014**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Animal and Plant Health Inspection Service**

(b)(5)

**Food and Nutrition Service**

(b)(5)



**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**July 7, 2014**

/s/ Phyllis K. Fong

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)



(b)(5)

**Rural Housing Service (RHS)**

(b)(5)

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**July 7, 2014**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service (FNS)**

(b)(5)

**Rural Housing Service (RHS)**

(b)(5)



**Animal and Plant Health Inspection Service**

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**July 21, 2014**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Harden

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Food and Nutrition Service

(b)(5)





**Audit**

**USDA  
Management and Security Over USDA's Universal Telecommunications Network  
Report Number 88501-0002-12  
Issued July 17, 2014**

The Office of Inspector General (OIG) examined whether the Department of Agriculture's (USDA) Universal Telecommunications Network (UTN) was properly configured, managed, and secured, and its task order with AT&T was properly implemented. We reviewed selected UTN controls and related policies and procedures to determine if they were suitable and conformed to the National Institute of Standards and Technology requirements and whether billing for the services provided was in accordance with Government Accountability Office internal control standards. OIG recommended that Office of the Chief Information Officer (OCIO) and the Office of Procurement and Property Management (OPPM) should strengthen their internal controls over task order administration, take steps to enhance communication with AT&T, ensure AT&T meets task order obligations, and develop new procedures to address security weaknesses. OCIO should also strengthen its billing review process, and OPPM should research and seek reimbursement for services AT&T has not provided. The agencies agreed with OIG's recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**July 28, 2014**

*/s/ David R. Gray/for*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

**Audit**

**Rural Development  
Rural Housing Service  
Single Family Housing Direct Loan Servicing and Payment Subsidy Recapture  
Audit Report 04601-0001-31  
Issued July 18, 2014**

The Office of Inspector General (OIG) reviewed how the Rural Housing Service services Single Family Housing (SFH) direct loans to determine if the Centralized Servicing Center (CSC) performs yearly reviews of borrower income, if the borrower is eligible for payment subsidy, and if payment subsidy is accurately calculated and repaid. SFH Direct Loan Program borrowers receive payment subsidy and will continue to receive it as long as they qualify. Regulations require repayment of a pro-rated portion or the entire payment subsidy, referred to as recapture. OIG determined that CSC performed reviews of borrower income and generally made accurate payment subsidy eligibility and recapture determinations. However, we noted the following exceptions. We identified issues with how CSC was servicing accounts, especially in relation to recapture of the payment subsidy. We found CSC inaccurately calculated the final recapture receivables for 13 of the 100 borrower accounts in our recapture sample. Based on statistical projections, we estimate that 8,103 borrower recapture receivable accounts may not have been accurately established, with a total value of \$33 million. Also, CSC lacked formal procedures to actively monitor borrower occupancy and did not always establish final payment subsidy recapture receivables in a timely manner. Additionally, our review of the payment subsidy renewal process found that for 7 of the 100 borrower accounts, CSC inaccurately calculated the

borrowers' payment subsidy. We estimate that the payment subsidy for 7,784 borrower accounts, with a projected total value of \$4.9 million over the term of the payment subsidy agreement, may also be inaccurately calculated. Lastly, we found evidence that unreported household members may have been residing in the Rural Development-financed properties.

OIG recommended that CSC should strengthen its oversight controls and correct subsidies, as well as recover over-payments to borrowers. The agency generally concurred with our recommendations and we accept management decision for all recommendations.

**Natural Resources Conservation Service  
Environmental Quality Incentives Program  
Report Number 10601-0001-31  
Issued July 24, 2014**

The Office of Inspector General (OIG) determined that the Environmental Quality Incentives Program (EQIP) is the Department of Agriculture's Natural Resources Conservation Service's (NRCS) largest program. For fiscal years (FY) 2009 through 2011, it received nearly \$3.5 billion. We found that NRCS' controls over the program need to be strengthened in order to meet its goal to provide financial and technical assistance to participants to build practices that will address pressing environmental concerns in their areas. Specifically, we found that, while the allocation method adequately considered environmental concerns on the national level, State-level allocation processes did not. Of the six State offices we reviewed, three based their allocations on data such as number of acres, prior year obligations, or geographic location. Second, we found that State offices did not make onsite visits for 139 out of 424 practices to ensure they were completed by the participant, as required by contract. Instead, States allowed contractors and participants to self-certify. Third, we found that of the 16 participants with projects that were significantly behind schedule, NRCS did not take action to identify 11 as non-compliant with their contracts (or modifications to their contracts). In the future, this could limit NRCS' ability to take corrective action. Finally, NRCS did not require follow-up visits to ensure practices were in working order for their intended lifespan--which resulted in several practices we visited not being maintained. Without effective monitoring controls to address these issues, NRCS may not be effectively obtaining the environmental benefits that are expected of EQIP practices.

OIG recommended that NRCS implement controls and perform an analysis to ensure State allocation formulas are tied to environmental concerns. Also, NRCS should implement controls to ensure participants who do not meet contractual timelines are identified as non-compliant. NRCS should also require onsite verification to ensure practices are actually complete. NRCS should obtain a formal opinion from the Office of the General Counsel to determine if it has the authority to inspect and enforce that practices are maintained by the participants for the estimated lifespan of the practice versus the duration of the contract. The agency generally agreed with our six recommendations. We accept management decision for all recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**August 4, 2014**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Agricultural Research Service (ARS)**

(b)(5)

(b)(5)

*Animal and Plant Health Inspection Service*

(b)(5)

*Farm Service Agency (FSA)*

(b)(5)



(b)(5)

**Food and Nutrition Service (FNS)**

(b)(5)

**Rural Housing Service (RHS)**

(b)(5)

**Audit**

**Farm Service Agency  
Economic Adjustment Assistance to Users of Upland Cotton  
Report Number 03601-0002-22  
Issued July 31, 2014**

The Economic Adjustment Assistance to Users of Upland Cotton Program (EAAP), which is administered by the Farm Service Agency (FSA), authorizes economic assistance to domestic users of upland cotton, such as textile mills, in order to maintain a globally-competitive United States textile industry. We found that in implementing the program, FSA did not put

effective management controls in place to ensure the EAAP is meeting its program intent and sufficiently ensure that funds expended are not a waste or abuse of Government funds. Specifically, we found that FSA has not (1) established a purpose for EAAP consistent with its regulations, (2) conducted a program evaluation, or (3) established performance measures to determine the impact of payments to domestic users of upland cotton. Even though the agency anticipated payments would limit market losses, plant closures, and employment declines, FSA has not developed a way to measure this impact. We also found that management controls were insufficient to prevent one upland cotton user from transferring \$1.5 million of \$12.1 million in payments to another user. The user who received \$12.1 million (the Seller) sold its cotton spinning operations to another EAAP user (the Buyer) and used \$10.6 million in EAAP payments to buy equipment to be installed at one of the Buyer's plants. The Seller used the remaining \$1.5 million of its funds to supplement the Buyer's own equipment purchase—effectively serving as a discount to the Buyer. Additionally, we identified \$900,000 in expenditures that were wasteful or for personal use. Altogether, we questioned 75 expenditures, totaling over \$2.4 million. This occurred because FSA has not implemented effective internal controls to determine which capital expenditures are eligible uses of EAAP funds. Without necessary controls in place, FSA cannot ensure that EAAP properly supports its intended purpose—to stimulate investments that make the United States textile industry more competitive.

OIG recommended FSA needs to develop outcome-based performance measures for EAAP and evaluate their effectiveness. FSA should amend its guidance and user agreement to require closeout reviews, prohibit expenditures for personal use, prohibit the transfer or sale of EAAP assets based on one user's consumption to another entity, and require pre-approval for capital expenditures over a designated threshold. Finally, FSA should recover the \$1.5 million in EAAP payments made to the Seller. We were able to reach management decision on three of the eight recommendations.

**Farm Service Agency  
Farm Service Agency Compliance Activities  
Report Number 03601-0001-22  
Issued July 31, 2014**

OIG determined that the Farm Service Agency (FSA) has faced a significant reduction in its salaries and expense budget from \$1.57 billion in fiscal year (FY) 2010 to approximately \$1.4 billion in FY 2013, a reduction of over \$170 million, which left the agency with fewer resources to perform essential work. FSA has had to make choices regarding which activities it will perform and which it will curtail. FSA continues to perform a number of compliance reviews, such as National Compliance Reviews (NCR), Improper Payment Information Act (IPIA) reviews, County Operations Reviews (COR), Farm Loan Program (FLP) Risk Assessments, Adjusted Gross Income compliance reviews, and end-of-year reviews. However, FSA would benefit from the development of an integrated compliance strategy to ensure that its limited resources are focused on areas posing the most significant risk of noncompliance. FSA officials have explained that they have not developed such a strategy because "significant amounts of time and money can be spent designing and implementing an integrated strategy." We maintain that developing an integrated compliance strategy should help the agency efficiently focus its limited resources on areas of the highest risk, and ensure that FSA programs

operate as intended, with a minimum risk of fraud, waste, and abuse. We found the NCRs, CORs, and IPIA reviews could be better designed to serve their intended purposes and help in identifying trends of noncompliance, directing limited resources to known problem areas, and improving the integrity of FSA's programs. As part of its compliance activities for the FLPs, FSA performs inspections of chattel security and year-end analyses, but it could not ensure that all the required reviews were completed. While FSA believes that these reviews are a relatively smaller portion of FSA's FLP compliance activities, we believe that the completion of these reviews is essential to the success and integrity of FSA's loan portfolio of \$8.3 billion. The NCR, COR, and IPIA reviews should have a clearly defined goal that contributes to FSA's overall compliance strategy and each activity should be effectively designed to achieve that purpose.

OIG recommended FSA should develop and implement an integrated compliance strategy to ensure that compliance activities are efficient and effective in reducing the potential for fraud, waste, and abuse. Based on FSA's response to the report, we accepted management decision on six of the nine recommendations.

#### **AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**August 11, 2014**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

On August 19, 2014, Inspector General Phyllis K. Fong will travel to Denver, Colorado, to attend the 20<sup>th</sup> Biennial Forum of Government Auditors.

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service**

(b)(5)

(b)(5)

**Rural Housing Service**

(b)(5)

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**August 18, 2014**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives  
Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

***Food and Nutrition Service***

(b)(5)

(b)(5)



**Rural Housing Service (RHS)**

(b)(5)



**Audit**

**Executive Order 13520, Reducing Improper Payments, Fiscal Year 2013  
High-Dollar Overpayment Report Review  
Audit Report 50024-0006-11  
Issued August 13, 2014**

The Office of Inspector General (OIG) reviewed information from the U.S. Department of Agriculture's (USDA) fiscal year 2013 quarterly reports on high-dollar overpayments made by programs susceptible to significant improper payments.

The President issued Executive Order 13520, Reducing Improper Payments, to strengthen efforts to eliminate payment error, waste, fraud, and abuse in Federal programs. As required by the Executive Order, OIG reviewed USDA's quarterly high-dollar overpayment reports and made recommendations, as necessary, to agencies' plans to recover and prevent high-dollar overpayments.

For fiscal year 2013, USDA reported 569 high-dollar overpayments, totaling over \$47.1 million. This represents an increase of 42 percent over the number of overpayments reported the previous year. In our fourth year of reporting, we found that USDA implemented actions to adhere to the high-dollar reporting requirements. However, USDA quarterly reports included errors, had inadvertent omissions, and were published up to 222 days after the due date. This occurred because of challenges with budget constraints and resource limitations that impacted reporting of high-dollar overpayments. USDA needs to take further steps to ensure it reports the information accurately, completely, and timely. Without accurate and timely reporting, the results of USDA's actions or strategies to reduce high-dollar overpayments are not fully known.

OIG found that the Risk Management Agency and the Natural Resources Conservation Service need to implement a second party quality review process to ensure that high-dollar overpayments information is accurately reported and traced to supporting documentation. Additionally, the Office of the Chief Financial Officer should develop a second party quality review process in conjunction with the agencies to ensure overpayments identified are included in the Department-level high-dollar overpayments reports. USDA's Office of the Chief Financial Officer (OCFO) agreed with our recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**  
Nothing to report.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

*/s/ Phyllis K. Fong*

**August 25, 2014**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Foreign Agricultural Service (FAS)**

(b)(5)

**Audit**

**USDA  
Lessons Learned from the Recovery Act: An OIG Perspective  
Report Number 50703-0002-10  
Issued August 19, 2014**

When Congress passed the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Office of Inspector General (OIG) conducted audits and investigations to ensure that these funds were well spent. OIG compiled its Recovery Act audits and investigations to present “lessons learned” from this broad look at the Department of Agriculture (USDA) programs. Our audits resulted in 80 reports, 401 recommendations, and \$5.1 billion in monetary exceptions. Our investigations into Recovery Act-related fraud resulted in 84 convictions, 8 years of total supervised release/probation, 8 months of total home confinement ordered, total recoveries of \$11 million, and total forfeiture/seizures of \$1.5 million.

The following lessons learned are presented in the spirit of helping USDA learn from the audit work:

- **Shovel Ready:** Most programs that received Recovery Act funds were expected to quickly pump money into the economy, but we found that several were not able to quickly stimulate the economy.
- **Oversight:** Effective oversight was critical to the Recovery Act, but USDA could have done more to adequately oversee and monitor Recovery Act programs.
- **Performance Measures:** Agencies needed quantifiable outcomes for Recovery Act programs, but we found that certain measures were not meaningful or realistic.
- **Quality of Jobs Created Data:** Agencies did not always report accurate information measuring how effective the Department was in accomplishing Recovery Act objectives and goals, such as creating new jobs and preserving existing jobs.

OIG made no additional recommendations in this report. In its 80 previously issued reports, OIG made a total of 401 recommendations, of which 394 have reached management decision.

**Rural Utilities Service**  
**Review of Use of RUS Financial Assistance by Utility Company**  
**Audit Report 09703-0002-22**  
**Issued August 15, 2014**

The Office of Inspector General (OIG) reviewed the use of loan and grant funds by one Rural Utilities Service (RUS) Water and Waste Disposal program participant.

In response to hotline complaints about a utility company, the Department of Agriculture (USDA) OIG reviewed how the company used funding provided through RUS' Water and Waste Disposal (WWD) Direct Loan and Grant Program. Generally, we found that the support for the sample of expenditures for the two projects we reviewed was reasonable, and that the company followed proper procedures for awarding construction contracts. However, we found the company violated program requirements with regards to fiscal responsibility, which resulted in our questioning more than \$38 million in funding the borrower had received for recent projects. Further, we found that RUS' oversight was not sufficient to identify the issues the audit disclosed. RUS agreed with our findings and we have accepted management decision on all of the report recommendations. Due to statutory Federal privacy concerns regarding the subjects of hotline complaints, the full text of the report is being withheld from release.

We recommended that RUS de-obligate funding from, and not provide additional funding to, the company until all prior agreed-to conditions are met. Additionally, RUS needs to strengthen its internal controls to provide reasonable assurance for detecting and correcting the issues we identified.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**  
*/s/ Phyllis K. Fong*

**September 2, 2014**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service (FNS)**

(b)(5)



(b)(5)

(b)(5)

**Foreign Agricultural Service (FAS)**

(b)(5)

**Rural Housing Service (RHS)**

(b)(5)

**Audit**

Nothing to report.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**September 8, 2014**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives  
Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

Nothing to report

**Audit**

Nothing to report

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**Monday, September 15, 2014**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Merrigan**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Farm Service Agency (FSA)**

(b)(5)



## Investigative Activities

### Audit

**Risk Management Agency  
RMA: Rainfall and Vegetation Index Pilot Program  
Pasture, Rangeland, Forage – Interim Report  
Report Number 05601-0003-31(1)  
Issued September 11, 2014**

The Office of Inspector General (OIG) reviewed how the Risk Management Agency (RMA) administers its pasture, rangeland, forage (PRF) insurance program to determine if the level of protection is reasonable.

RMA administers the Federal crop insurance program and helps insure producers against crop failures due to crop diseases, hurricanes, and other risks. Beginning in crop year 2007, RMA offered a PRF as a pilot program that provides insurance protection for forage produced for grazing or harvested for hay. OIG review of this program found that, in Colorado and New Mexico, RMA insures non-irrigated hay producers at the same level as irrigated hay producers, even though irrigated land is capable of producing much more hay. When RMA and its contractor designed PRF, they used a State-wide average yield that combined non-irrigated and irrigated hay yields without considering the substantial differences between such land. As a result, non-irrigated producers received indemnities substantially in excess of the value of their lost hay production. For example, our initial sample of seven producers received over \$8.2 million in indemnity payments for non-irrigated forage acres, based on average yields that they could not feasibly produce. In one case, a producer insured land that has the potential to produce about \$27.54 worth of hay per acre, but he was indemnified \$335.79 per acre. USDA will continue to pay indemnities at such excessive rates until RMA takes steps to correct the program. In crop year 2014, these same producers had a total liability of over \$14.6 million and indemnities of over \$1 million paid on land insured under PRF, as of July 1, 2014. We are issuing this interim report so that RMA can correct this problem before the offering of PRF coverage for crop year 2015. Based on its response, RMA generally agreed with our finding; however, further action from the agency is needed before management decision can be reached for the two recommendations.

We recommended that RMA suspend offering PRF coverage for non-irrigated hay in Colorado and New Mexico based on combined yield until it can establish a method to account for the substantial difference in production capability of irrigated and non-irrigated land. RMA should also determine if this problem is prevalent in other dry, western States.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**September 22, 2014**

*/s/ Phyllis K. Fong*

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

Deputy Secretary Merrigan

Under Secretaries and Administrators

30-60 Day Look Ahead

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

Law Enforcement

Nothing to report.

Audit

**USDA**

**USDA's Controls Over Economy Act Transfers and Greenbook Program Charges**

**Report Number 50099-0001-23**

**Issued September 18, 2014**

The Office of Inspector General (OIG) audited the Department of Agriculture's (USDA) use of fund transfers under the Economy Act and 7 U.S.C. § 2263, referred to as "Greenbook authority." We found that, although Congress reduced funding for USDA's Departmental

Administration and Office of Tribal Relations (OTR) for fiscal years (FY) 2011 and 2012. USDA used these authorities, as well as its Working Capital Fund, to fund staff that likely would have been affected by the reductions. As a result, USDA spent at least \$3.7 million for salaries and benefits to fund staff that was not directly appropriated to those accounts.

We also found that USDA exceeded its Greenbook authority to pay for the Intertribal Technical Assistance Network (ITAN), since it improperly transferred \$2.1 million from agencies that did not have the authority to fund ITAN activities. Finally, for controls over Economy Act transfers, we found that USDA had not provided sufficient direction and oversight to agencies to ensure they properly supported the approximately \$100 million in transfers made during FYs 2011 and 2012. Due to lack of support, we question \$43 million in transfers since we were unable to conclude whether the transfers were in the best interest of the Government and how those funds were used.

OIG recommends that USDA strengthen its system for approving, reviewing, and tracking appropriated fund transfers by implementing controls and providing guidance and training to agency staff, and that USDA needs to review previous transfers, and adjust its accounts to correct the improper ITAN funding. USDA's Office of the Chief Financial Officer agreed with our findings and we accepted management decision on all 12 recommendations.

**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**September 29, 2014**

/s/ David R. Gray for

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**

**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Service (FNS)**

(b)(5)

(b)(5)

(b)(5)

**Audit**

**USDA National Finance Center  
Statement on Standards for Attestation Engagements No. 16 Report on Controls at the  
National Finance Center for October 1, 2013, to July 31, 2014  
Report Number 11401-0007-11  
Issued September 25, 2014**

(b)(5)

**USDA National Finance Center**

**Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and  
Supplemental Semiannual Headcount Reporting Submitted to  
the Office of Personnel Management  
Report Number 11401-0008-11  
Issued September 25, 2014**

The Office of Inspector General (OIG) performed agreed-upon procedures for assessing information reported by the Department of Agriculture's (USDA) National Finance Center (NFC). USDA's NFC reports Federal employee benefits and enrollment information to the Office of Personnel Management (OPM). Reported information includes headcounts as well as withholdings and contributions for retirement, health benefits, and life insurance. Additionally, NFC withholds employees' Combined Federal Campaign (CFC) contributions and distributes them to Principal Combined Fund Organizations (PCFO). In applying agreed-upon audit procedures, we identified differences through calculations, analyses, and comparisons. For instance, we again identified headcounts for military deposits and for salary offsets that often differed from NFC's by more than 2 percent, as did some headcounts relating to health, life insurance, and/or retirement benefits. In general, NFC stated that further analyses will be performed to address any issues that the programming changes from last year were not designed to address.

Additionally, we identified CFC deductions for employees at duty stations with no CFC, or attributed to the wrong CFC, sometimes because an incorrect CFC pledge form was used. We also noted some instances where PCFO names and addresses in NFC's system differed from those deemed correct by OPM. Generally, NFC attributed most CFC differences to manual processes and human error. NFC noted a low error rate overall, and that it was responsible for very few of these differences.

Our sample document review disclosed five errors for benefits entered into the system by entity staff. Furthermore, we were unable to verify entries for 85 personnel documents we tested because entities' personnel officers were unable to locate the documents. However, to ensure that information from the system was accurate, we performed any applicable calculations for salary, retirement, and life and health insurance. We noted no exceptions. We do not make any recommendations in this report.

**USDA  
USDA's Implementation of Cloud Computing Services  
Audit Report 50501-0005-12  
Issued September 26, 2014**

The Department of Agriculture (USDA) has incorporated cloud computing into its overall information technology (IT) environment, but the Office of Inspector General (OIG) found that the Department does not have a complete inventory of its cloud systems, due to poor inventory management and the inconsistent application of the definition of a cloud computing system. We found that, even though USDA has an official system of record for its inventory of IT systems, 17 of the 31 cloud systems were not included in the inventory, and 8 additional systems were in

the inventory, but not marked as cloud systems. Additionally, the level of detail included within the contracts for procuring the systems varied across our sample, with all six reviewed contracts lacking details required by Federal guidelines. Finally, only two of the six cloud service providers tested met the requirements to become Federal Risk and Authorization Management Program (FedRAMP) compliant by June 5, 2014. These issues occurred because the offices and agencies have adopted cloud computing technologies without clear guidance, including a USDA-wide definition of what constitutes a cloud computing system. USDA does not have an adequate process for inventory management, standardized contract language for cloud computing services, and an organized approach to ensure cloud systems meet FedRAMP requirements. USDA does not have adequate controls in place to manage its cloud service providers and the data that reside in these systems. As a result, USDA's data are exposed to risk of loss or disclosure to unauthorized parties, which could compromise the Department's programs and producer data. Furthermore, because five of six contracts (totaling approximately \$66.9 million) did not specify how a provider's performance was to be measured, reported, or enforced, the agencies are not able to ensure adequate service levels are met, increasing the risk that USDA funds could be misspent or ineffectively used.

OIG recommends that USDA establish a consistent definition of cloud computing, create and maintain an accurate inventory of its cloud systems, and develop a guide for procuring cloud systems that details specifications and security requirements. The Department also needs a detailed plan for becoming FedRAMP compliant. USDA generally concurred with our findings.



**Weekly Report to the President  
Office of Inspector General**

**Inspector General Phyllis K. Fong**

**October 6, 2014**

**Reform Based Actions**

Nothing to report.

**Expected Media**

Nothing to report.

**Outreach and Results**

Nothing to report.

**Expected Legislative or Policy Issues**

Nothing to report.

**Potential or Expected Legal Issues**

Nothing to report.

**Events - Travel /Speeches of Agency Executives**  
**Deputy Secretary Harden**

**Under Secretaries and Administrators**

**30-60 Day Look Ahead**

**Personnel Announcements**

Nothing to report.

**Other Items of Interest**

**Law Enforcement**

**Food and Nutrition Services (FNS)**

## Audit

**Farm Service Agency**  
**Farm Service Agency Noninsured Crop Disaster Assistance Program**  
**Report Number 03702-0001-31**  
**Issued September 29, 2014**

The Office of Inspector General (OIG) reviewed the Farm Service Agency's (FSA) Noninsured Crop Disaster Assistance Program (NAP) to determine if FSA had adequate management controls over producer and crop eligibility, payment accuracy, and payment and income limitations. . . .

OIG did not identify any reportable issues with regard FSA's management controls over eligibility of producers and crops, accuracy of loss guarantees and payments, and limitations on payments and income. However, FSA has not significantly updated carrying capacities and needs to ensure grazing loss percentages are consistently determined. We found that, although FSA requires State committees to establish county carrying capacities, many of the State offices relied on carrying capacities that were established more than 20 years ago, and adequate documentation was not provided to clearly identify or define what factors were considered when those determinations were made. There was no support that any significant adjustments had been made to those carrying capacity levels, nor did FSA establish a requirement as to how often these carrying capacities should be reviewed.

OIG also found that FSA needs to develop a uniform framework that independent assessors should consider when making the determinations for grazing loss levels. The assessors may use many different methods and consider various factors when making a determination for grazing loss, and the lack of uniformity can cause significant variances in the loss levels established for neighboring counties and States.

OIG recommended that FSA develop guidelines and examples for State offices to use when evaluating and updating carrying capacities for review and approval by State committees; publish minimum factors for States to consider in determining grazing loss percentages; and develop procedures for State offices to communicate with bordering States to ensure consistency. The agency generally agreed with our 6 recommendations. We accept management decision for all recommendations.

**AMERICAN RECOVERY AND REINVESTMENT ACT**

Nothing to report.