

**Statement by
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Submitted to the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations, U.S. House of Representatives**

Introduction

Good morning, Chairman Bishop, Ranking Member Fortenberry, and Members of the Subcommittee. Thank you for the opportunity to testify regarding the Office of Inspector General's (OIG) budget request for fiscal year (FY) 2021. My statement will address OIG's recent work supporting our mission to promote the economy, efficiency, and integrity of U.S. Department of Agriculture (USDA) programs and operations through audits, investigations, inspections, data analytics, and reviews. Before I begin, I want to share that OIG has recently completed a major change to its 5-year *Strategic Plan*. As part of that effort, we have combined the principles of diversity and inclusion, previously contained in a separate diversity and inclusion strategic plan, with our more traditional strategic goals because they are essential to our overall success, mission fulfillment, and employee satisfaction. We have also refined the language of our three mission-oriented strategic goals and established two new operations-oriented strategic goals focused on our workforce and mission support activities.

As you know, OIG conducts audits, inspections, and reviews and makes recommendations to help improve how USDA's programs operate. We also conduct investigations of individuals and entities suspected of engaging in criminal, civil, and/or administrative wrongdoing related to USDA programs.

In FY 2019, our audit and investigative work resulted in potential monetary results totaling over \$2.5 billion. We published 33 final audit reports and made 185 recommendations to strengthen and improve USDA programs and operations; in addition, we completed 1 inspection with 5 recommendations. Overall, our audit work during this period has identified more than \$2.2 billion in questioned costs and funds that could be put to better use.

Our investigative work during the same period led to 451 convictions, with potential results totaling more than \$289.1 million. We also used advanced data analytics to support and enhance our audits and investigations. Our Office of Data Sciences participated in a total of 45 audits and investigations.

Strategic Goal 1—Safety, Security, and Public Health

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

Safety

We regard the safety of USDA employees as one of our foremost responsibilities. In response to Congressional concerns related to the Forest Service’s (FS) work environment, our Offices of Audit, Data Sciences, and other OIG components completed a multi-disciplinary project assessing the state of oversight work related to sexual harassment and misconduct in the Federal Government. OIG executed this project to help identify standards, guidance, or best practices that agencies—including FS—can use to measure progress in this area. OIG provided FS leadership with the results of this research to assist the agency in its continued efforts to address workplace concerns and improve its work environment.

Security

As required by the Federal Information Security Modernization Act, OIG conducted its FY 2019 review of USDA’s ongoing efforts to improve its information technology (IT) security programs and practices. We found that USDA continues to take positive steps to improve its IT security posture, but many longstanding weaknesses remain. In FYs 2009–2018, OIG made 75 recommendations for improving the overall security of USDA’s systems—71 recommendations are completed and 4 recommendations were scheduled for closure after we issued our report. The Office of the Chief Information Officer (OCIO) has also agreed to our three new recommendations based on security weaknesses identified in FY 2019. The Office of Management and Budget (OMB) establishes standards for an effective level of security and considers “Managed and Measurable” as a sufficient level. However, we found the Department’s maturity level to be at the lower, “Defined” level. Based on OMB’s criteria, the Department’s overall score indicates an ineffective security level.

In a separate IT security-related review, OIG assessed the effectiveness of USDA’s controls to prevent, detect, and report the improper usage of IT equipment. USDA’s Agriculture Security Operations Center, a part of OCIO, samples IT usage behavior and identifies potential IT misuse to review in greater detail. USDA agencies’ supervisors and human resources (HR) personnel serve as a first line of defense in tracking, addressing, and preventing repeat incidents. Of 36 improper IT use incidents, we found that 28 (approximately 78 percent) were not referred to agencies’ HR officials. Of these 28 incidents, 19 (approximately 68 percent) also were not referred to supervisors for potential action. Neither USDA

nor its agencies have sufficient improper usage policies in place to direct agency personnel regarding how or when to involve HR and supervisors in the remediation process. Without guidance clearly communicating roles and responsibilities, IT security personnel, supervisors, and HR may not resolve instances of improper IT use. Additionally, without appropriate tracking, repeat offenders may continue to misuse and waste USDA IT resources, therefore exposing USDA networks to increased risk of malware and other internet-based threats. OCIO, the Office of Human Resources Management, and the agencies concurred with our recommendations.

Public Health

As part of this goal, OIG works to ensure the wholesomeness of the U.S. food supply. A recent investigation found that a worker at a Wisconsin meat processing plant intentionally tampered with sausages; specifically, he placed foreign objects such as cigarette paper, a wire connector, and meat from a different production line into sausage links or patties. The worker was sentenced to 54 months in prison and 36 months of supervised release. He was also ordered to pay a \$100 special assessment fee and \$42,035 in restitution.

A recent audit also reviewed how the Agricultural Marketing Service (AMS) oversees the storage and handling of U.S.-produced commodities for international food aid programs. AMS administers the Export Food Aid Commodity (EFAC) program to provide U.S.-produced commodities for export food aid on behalf of the U.S. Agency for International Development (USAID) and the Foreign Agricultural Service (FAS). Commodities are stored at licensed warehouses prior to shipping. USAID and FAS coordinate with private voluntary organizations to ship these commodities overseas and provide life-saving food assistance to the most vulnerable populations around the world. In our review, we found that warehouse operators did not consistently apply sanitation and safety standards to safeguard export food aid. Secondly, we determined that almost 1.7 million pounds of export food aid were reported as losses during storage and handling. A portion of those losses could have been minimized if EFAC program guidance allowed for a more cost-effective method to repair damaged EFAC bags. Lastly, we found that AMS did not ensure EFAC license violations were resolved in a timely manner. If the issues we identified are not mitigated, AMS' export food aid could continue to be stored in unsanitary or unsafe conditions, leaving commodities susceptible to loss, damage, and contamination. AMS officials concurred with our recommendations.

Animal Fighting

OIG also conducts investigations into allegations of animal fighting. We concluded a recent case that was initiated when the Drug Enforcement Administration developed evidence during the course of a narcotics-related investigation that indicated the existence of an animal fighting enterprise. In the course of this investigation, OIG executed search warrants in New Jersey, Illinois, Indiana, New Jersey, New Mexico, and the District of Columbia. A total of 98 dogs were rescued and 10 individuals were sentenced collectively to more than 250 months in prison and ordered to pay special assessment fees and fines totaling \$22,400.

Future Work

We anticipate completing work on IT security over select USDA agencies' networks and systems. This security review will examine the effectiveness of security controls in place for managing users' access to systems and audit system logs—agencies must ensure that users are given only the rights and permissions necessary to perform their jobs. Another audit already underway is evaluating the Animal and Plant Health Inspection Service's (APHIS) controls to ensure dog breeder compliance with the Animal Welfare Act.

Strategic Goal 2—Integrity of Benefits

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

Farm Programs

USDA's Natural Resources Conservation Service (NRCS) administers the Environmental Quality Incentives Program (EQIP), which provides producers with financial and technical assistance to implement conservation projects. To administer the program, NRCS developed a payment schedule method to compensate producers based on nationwide estimates. While OIG did not question the quality of the conservation practices implemented, we found that NRCS' use of EQIP payment schedules did not consistently represent the producers' cost to implement conservation practices. Furthermore, OIG found that component cost estimates used in regional payment schedules were not always current and cost-effective. NRCS has not always prioritized controls for updating component prices at both the national and State levels; we questioned more than \$2.1 billion obligated for FYs 2016–2017 because NRCS relied on outdated and inaccurate component prices to calculate payment schedules. NRCS generally concurred with our recommendations.

Another project reviewed the Annual Forage insurance plan and followed up on two prior OIG reports on the Pasture, Rangeland, and Forage (PRF) insurance plan—both plans indemnify farmers if the rainfall in their area falls beneath the area’s historical average and thus rely on quality rainfall information. We determined that the Risk Management Agency (RMA) made appropriate changes to the PRF insurance plan based on prior recommendations. However, our review of both plans determined each insurance plan needed to make further improvements related to rainfall data integrity. For example, we determined that rain gauges in two States provided suspicious rainfall readings. These readings led to producers in one State receiving at least \$8.5 million more in Annual Forage indemnity payments than they should have received for crop year 2017. Similarly, we found that the county base values used to calculate Annual Forage indemnity payments exceeded the production capability of the land. These inaccurate base values resulted in producers receiving high or disproportionate Annual Forage indemnities. RMA generally agreed with our recommendations to correct these issues with rainfall-indexed insurance products.

In a recent investigation, a Louisiana farmer was found to have defrauded \$16.9 million from various entities, including the Commodity Credit Corporation, Federal Deposit Insurance Corporation-insured banks, private lenders, and seed and chemical dealers. This investigation was initiated in February 2016 when the Louisiana State Farm Service Agency (FSA) Office notified OIG that approximately \$5.5 million worth of grain the Louisiana farmer pledged as collateral for 16 certified farm-stored marketing assistance loans was missing from grain bins. During the 2015 crop year, the farmer used at least 13 farming entities, in which he held either sole or partial ownership interest, to certify farming acreage. On several loan applications, the farmer over or understated the amount of crops he produced; he also claimed crops that he had sold or did not possess as collateral. Ultimately, the farmer was sentenced to 120 months in prison, followed by 36 months of supervised release. He was also ordered to pay \$18 million in restitution and a \$200 special assessment.

Research

The National Institute of Food and Agriculture (NIFA) administers capacity grant programs that help research institutions carry out agricultural research to solve societal challenges. Participating institutions receive capacity grants—noncompetitive awards based on predetermined formulas established by the legislative branch. We found that NIFA needs to strengthen its controls, including addressing assessments, for six of the nine capacity grant programs we focused on for FY 2015. We found that misallocated capacity grant funds and an improperly granted waiver resulted in approximately

\$7.1 million in questioned costs, spread across five grant programs. These questioned costs included \$3.6 million in potential Antideficiency Act violations. NIFA also needs to ensure that its funding distributions accurately reflect and fulfill the purposes of its programs. For example, States were not appropriately made aware of the opportunity to direct funding to eligible historically black land-grant colleges and universities, known as 1890 institutions. As a result, the 1890 institutions were not considered for a share of \$28 million in FY 2015 funding. Because of these issues, NIFA may not be allocating capacity grant funds effectively to achieve its programs' goals. NIFA generally agreed with our recommendations and we continue to work with the agency to reach agreement on the corrective action plans for the remaining recommendations.

Food Assistance

A significant portion of OIG's investigative resources are dedicated to ensuring the integrity of the Supplemental Nutrition Assistance Program (SNAP) by combating the practice of exchanging benefits for currency or other ineligible items. In a recent case, an Ohio mobile meat delivery company owner and employees were implicated in a SNAP fraud scheme. While selling beef, pork, poultry, and seafood door-to-door, the company's representatives engaged in illegally gathering, collecting, and using SNAP benefits without the SNAP recipients' knowledge. Between April and November 2019, six employees of the food sales company received sentences totaling 24 months and 1 day in prison, 48 months of supervised release, 96 months of supervised probation, and 160 hours of community service. They were also ordered to pay a total of \$3.5 million in fees and restitution. The company owner was sentenced to 14 months in prison, 36 months of supervised release, and 20 hours of community service. The owner was also ordered to successfully complete an alcohol/drug treatment program and pay \$639,779 in restitution.

Puerto Rico Disaster Nutrition Assistance

In September 2017, Hurricanes Irma and Maria devastated Puerto Rico—the survivors suffered power loss, extensive property damage, displacement, and food insecurity. The Food and Nutrition Service (FNS) provided some disaster nutrition assistance; however, because Puerto Rico does not have the legislative authority to operate a disaster nutrition assistance program (NAP), Congress passed disaster relief legislation, granting Puerto Rico \$1.27 billion in supplemental nutrition assistance funding in October 2017. OIG reviewed FNS' oversight and how Puerto Rico's Administration for Socioeconomic Development of the Family (ADSEF) used these funds.

We found that FNS and ADSEF were not able to distribute essential disaster nutrition grant funding to survivors in Puerto Rico until 6 months after the hurricanes. Since Puerto Rico was unable to operate a disaster NAP, FNS and ADSEF were unable to adequately plan before the hurricanes. We also found that neither FNS nor ADSEF effectively coordinated with other agencies to quickly distribute the disaster grant funding to hurricane survivors. Finally, we found that ADSEF's eligibility system did not always accurately determine benefits for households. Of the 4,805,234 regular benefit issuances between March and September 2018, we found 8,655 overpayments totaling more than \$1.4 million and 8,907 underpayments totaling more than \$1.5 million. In addition, of the 1,343,814 recipients as of August 2018, we found 6,341 recipients who were deceased, which caused us to question more than \$1.2 million in total monthly benefits. FNS generally agreed with most of our recommendations, but further action from the agency is needed to reach agreement on the remaining recommendation.

Future Work

As part of our responsibility to provide oversight for disaster-related programs, OIG anticipates completing reviews of the Wildfires and Hurricanes Indemnity Program, the Florida Citrus Recovery Block Grant Program, and 2017 Emergency Assistance for Honeybee Claims. In addition, we are reviewing how USDA designed and implemented the Trade Mitigation Packages, as well as determining whether FAS' grant selection process for the Agricultural Trade Promotion Program complied with relevant requirements. Another audit is evaluating the SNAP waiver process to determine whether FNS has adequate controls in place to reasonably ensure the process complies with statute and other program requirements.

Strategic Goal 3—Management Improvement Initiatives

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

Economic Research Service and NIFA Relocation

In response to a Congressional request, we reviewed USDA's legal and budgetary authority to execute the realignment of the Economic Research Service (ERS) under the Office of the Chief Economist (OCE) and the relocation of ERS and NIFA offices. We were also asked to determine USDA's adherence to any established procedures relating to agency realignment and relocation and procedures associated with cost benefit analyses. Through our inspection, we determined that the Department had legal authority to

realign ERS under OCE and relocate ERS and NIFA offices. However, we found that the Department did not obtain Congressional approval, as required by Section 717(a) of the Omnibus Act, and did not comply with the reporting deadline requirement in Section 753 of the Omnibus Act. We made five recommendations and reached management decision with the Department.

Financial Management

As mandated by Congress, OIG completed its review of the FY 2019 financial statements for USDA and its component agencies to express opinions about the fair presentation of those statements, determine if the internal control objectives of financial reporting were met, and whether all material and applicable laws and regulations were complied with. Overall, in FY 2019, USDA made significant progress in improving its financial statements, although improvements are still needed. The Department and the Commodity Credit Corporation (CCC) received an unmodified opinion on their comparative 2019 and 2018 financial statements and notably, for the first time, NRCS received an unmodified opinion on the full scope of its financial statements for FY 2019. The other component agencies (Rural Development, FNS, and Federal Crop Insurance Corporation/RMA) all maintained their comparative unmodified opinions for FY 2019 and 2018.

Improper Payments

USDA made progress in FY 2018 towards fully complying with improper payment requirements as set forth by the Improper Payments Information Act of 2002, as amended.¹ In its eighth year of reporting, we noted that USDA identified nine programs as susceptible to significant improper payments (high-risk) in FY 2018, one less than the year before. Additionally, five of USDA's nine high-risk programs were fully compliant in FY 2018, compared to three the year before. Furthermore, USDA substantially complied with four of the six improper payment requirements in FY 2018, compared to three the year before. For the high-priority programs, no issues were noted in our evaluation of USDA's reported actions to prevent and recover improper payments and the quality of improper payment estimates and methodologies used. However, USDA continued to report noncompliance with improper payment requirements. OIG found that four of USDA's nine high-risk programs did not comply with one or both of the following requirements: meeting annual reduction targets or achieving gross improper payment rates of less than

¹ OIG is currently auditing USDA's FY 2019 compliance with improper payment requirements and will issue the report, as required, by May 2020.

10 percent. This noncompliance occurred because the programs' corrective actions have not yielded the desired results.

We also found that USDA maintained the quality of its high-dollar overpayments reports for FY 2018. Though overall quality was sustained, we identified instances of duplicate and incomplete reporting in two of USDA's published quarterly high-dollar overpayments reports. We stress continued vigilance to prevent and eliminate reporting errors. The Department generally agreed with our findings and recommendations.

Contractor Fraud

OIG investigations also assist the Department in ensuring financial accountability for its agencies. For example, our investigators worked with various other Government agencies to identify numerous individuals conspiring to obtain construction contracts issued under three Small Business Administration (SBA) programs. Using nominee owners, a New Hampshire insurance company and South Carolina contractors conspired to create seemingly eligible contractors that operated under the control of ineligible companies. The contractors received more than \$165 million in set-aside contracts for which they were not eligible from FS and other Federal agencies. Two of these companies had more than \$4.8 million in contracts with FS for mowing, construction, and maintenance services. Eight individuals and one corporation have pled guilty and been convicted. From October 2017 through April 2019, they were sentenced to terms ranging from 24 months of probation to 72 months in prison. Additionally, 31 entities or individuals have been either debarred or suspended from doing business with the Government, and one corporation has paid a \$500,000 fine. One individual has been ordered to forfeit \$2.6 million and another to pay \$214,504 in restitution. Parallel civil proceedings are ongoing and we are awaiting a civil settlement.

Employee Misconduct

OIG also investigates cases of employee misconduct. After an employee complained that an Agricultural Research Service (ARS) chemist had been sexually assaulting subordinate staff members for several years, OIG investigators quickly corroborated these allegations. Within weeks, the chemist was indicted; he later pled guilty to one count of abusive sexual contact. ARS initially placed the chemist on unpaid suspension, but he resigned once he learned that ARS was proceeding with his removal. In March 2019, the former chemist was sentenced to 10 months in prison and 12 months of supervised release and ordered to pay a \$5,100 special assessment fee. As a special condition, he was also required to seek mental health treatment and to have no contact with the victim.

Future Work

At present, OIG is evaluating the Office of the Assistant Secretary for Civil Rights' (OASCR) oversight of the civil rights complaints process. Specifically, we are evaluating OASCR's controls to ensure that program complaints are processed in accordance with applicable regulations, policies, and procedures, and that they are resolved in a timely and efficient manner. Another project is evaluating RMA's controls over the development and approval of insurance products under Section 508(h) of the Federal Crop Insurance Act.

OIG is also working to complete a number of inspections in response to Congressional requests. These inspections include topics such as SNAP electronic benefits transfer services at farmers markets, Food Safety and Inspection Service swine slaughter rulemaking, scientific research integrity and capacity, potential duplication in housing assistance programs, and the timeliness of USDA's disbursement of \$600 million in disaster nutrition assistance funding to Puerto Rico.

Conclusion

In closing, we would like to thank the Subcommittee for your continuing interest in our work. Your support has enabled us to carry out our mission of strengthening USDA's programs and operations in support of the American public.

For FYs 2015–2019, OIG's appropriations totaled approximately \$485.3 million. During this period, the potential dollar impact of OIG's audits and investigations was \$4.8 billion, resulting in cost savings and recoveries of \$9.89 for every dollar invested. During this same period, OIG made 985 audit recommendations to improve USDA programs. Furthermore, OIG investigations resulted in 2,948 successful convictions in that same 5-year period.

We appreciate your support in continuing to provide the funding necessary to perform effective oversight and present beneficial recommendations to Congress and USDA decisionmakers.

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