

Preliminary OIG Plan

Oversight of USDA Economic Stimulus Funding Under the American Recovery and Reinvestment Act of 2009

(as of February 27, 2009)

Introduction

The United States Department of Agriculture (USDA) has received \$28 billion in funding under the American Recovery and Reinvestment Act of 2009 (Recovery Act) in a number of areas, including farm loans, watershed programs, supplemental nutrition assistance, wildland fire management, and several rural development programs such as rural housing, rural business, water and waste disposal, and broadband. The Recovery Act also provided the USDA Office of Inspector General (OIG) with \$22.5 million (to remain available until September 30, 2013) for “oversight and audit of programs, grants, and activities funded by this Act and administered by the Department of Agriculture.”

Through our audit and investigative programs, we have developed a number of actions, both short-term and longer-term, to enable us to provide timely and effective oversight of the Recovery Act monies expended by USDA programs. This plan is only preliminary; adjustments will be made as the USDA agencies develop plans—including the required Recovery Program Plans—to distribute Recovery Act monies.

In addition to the efforts noted below, we are conducting immediate outreach to the Department—including meetings with the top levels of the relevant USDA agencies—both to highlight for those agencies our own efforts and to solicit their input on where our efforts would be most effective. We will provide information on oversight best practices as they come to our attention—for example, we have already provided a recently issued guide on grant oversight and best practices for

combating grant fraud to the relevant USDA agencies.

Audit Program

The overall objectives of our audit oversight of the Recovery Act monies are to ensure (1) USDA stimulus-related programs are timely and effectively implemented; (2) proper internal control procedures are established; (3) program participants meet eligibility guidelines; (4) participants properly comply with program requirements; and (5) agencies establish effective compliance operations.

Audit work will be performed to:

- Monitor the development of USDA agency program guidance and requirements for distributing stimulus funding to program participants, including eligibility requirements.
- Evaluate internal control systems utilized to ensure program objectives are achieved, program participants fully meet eligibility requirements, and payments are accurately computed.
- Determine if funding recipients complied with all eligibility criteria.
- Evaluate USDA compliance activities in relation to stimulus funding requirements.

Our audit work will be conducted in multiple phases based on USDA implementation of Recovery Act-related programs.

Phase 1:

- (1) We are currently reviewing USDA agencies' implementation of agreed-to audit recommendations relating to programs receiving Recovery Act funding. In recent years, we have made recommendations affecting virtually all programs receiving such funding. We are conducting analyses of those recommendations to determine if corrective actions related to those have been fully implemented and are effective in correcting past weaknesses identified. We are also examining the recommendations to see if we have any that have not yet been agreed to by a USDA agency. In either case, we will use the information we find to follow up with the relevant agency and advise them on corrective actions that we believe must be implemented in order to have effective controls on expenditures of Recovery Act funding.
- (2) We are looking at whether we can and should expand the scope of already in-process or planned audits related to programs receiving Recovery Act funding. Among the in-process or planned audits, we are looking at are reviews of USDA programs for new farmers and ranchers, the Farm Service Agency's controls and oversight of farm loans, lender practices in single family and business and industry loan programs, controls over water and waste disposal loan and grant programs, as well as various aspects of controls in the supplemental nutrition assistance program and the Forest Service's firefighting program.

- (3) We are working to expedite the issuance of several audits related to programs receiving Recovery Act funding, including audits of the broadband program and rehabilitation of flood control dams.
- (4) We are reaching out to the Chief Information Officer to discuss information and controls needed related to the quality of Recovery Act data being reported.

Phase 2:

- (1) We will design audits to specifically review various aspects of the programs receiving Recovery Act funding. We may use statistical sampling to evaluate program delivery and compliance.
- (2) We will review each agency's Recovery Program Plan as it is prepared and develop oversight initiatives related to each plan.
- (3) Our newly-formed Data Analysis Group will target its efforts to first analyze data pertaining to the rural housing loan program and then to other programs receiving Recovery Act funding, to see if such data provide early indications of potential fraud or the need for additional controls to prevent improper payments.

Phase 3:

We will evaluate agency determinations of Recovery Act program effectiveness through analysis of agency performance (outcome) measures.

Investigations Program

The overall objective of our investigative efforts is to ensure the integrity of USDA Recovery Act-funded programs by (1) timely identifying potential fraud within those programs; (2) swiftly and efficiently investigating potential fraud; (3) prosecuting where warranted; (4) seeking agency administrative action where necessary; and (5) implementing an effective and efficient whistleblower allegation investigation program.

More specifically, Investigations work will be performed to:

- Identify and investigate potentially fraudulent activity occurring within the USDA agency programs receiving stimulus funding, including those whistleblower allegations reported as set forth in the Recovery Act.
- Work with the U.S. Attorney's Offices and States Attorney General's Offices to prosecute violators and seek asset forfeiture when appropriate.
- Seek administrative sanctions, including suspension and debarment.

We will undertake a number of activities in multiple phases to both identify fraud as it occurs and expedite to the extent possible the investigation and prosecution of that fraud.

Phase 1:

- (1) We will increase the number of fraud awareness briefings that we conduct and publish literature and distribute Hotline posters on our investigative mission and avenues for reporting fraud related to the Recovery Act funding. Through fraud alert memoranda to the relevant USDA agencies, we will highlight any fraud

schemes attempted in other Departments and agencies so as to raise awareness levels.

- (2) Our National Computer Forensic Division (NCFD) will develop the means of using information technology to assist in fraud identification related to these programs. NCFD will take the results of our audit staff's data analysis/data mining efforts and match them against various databases external to USDA to identify specific individuals or businesses that are engaging in potentially fraudulent activity.
- (3) We will continue active participation on various task forces such as the National Procurement Fraud Task Force, regional procurement task forces, and regional mortgage fraud task forces in order to identify potential fraud and work collaboratively with other Federal and State investigators and prosecutors.
- (4) Within USDA, we will continue close liaison with various USDA agencies to assist in identifying potentially fraudulent activities and coordinate with USDA agency compliance and investigations units to identify and jointly investigate cases as appropriate.

- (5) We will monitor the OIG Hotline as a source of information. We will modify that Hotline system to allow us to separately identify, track, and report on complaints regarding Recovery Act funding, as well as whistleblower complaints of non-Federal employees alleging reprisal under the new authorities of the Recovery Act.
- a. We are modifying our investigative information system to enable us to separately track whistleblower complaints related to Recovery Act funds.
 - b. We will work with USDA to include a link from the USDA Recovery Act web page to the OIG Hotline so complainants may file complaints related to Recovery Act funding.
 - c. We will update/enhance our investigative information system in order to allow us to:
 - i. Swiftly and efficiently input complaints received.
 - ii. Disseminate the complaints for active investigation.
 - iii. Include an automated tickler system to ensure the time requirements for whistleblower complaints are met.
 - iv. Prepare electronic investigative reports to facilitate distribution as required by the Recovery Act.
 - v. Provide a means to routinely report our Hotline activities as required by the Recovery Act.

Phase 2:

- (1) We will assess Hotline complaints received, referrals made by USDA agencies, the results of our proactive initiatives, and any potential fraud identified in our audit reports; and we will open criminal investigations where appropriate related to the various USDA programs (i.e. farm programs, rural housing, rural business, etc.) receiving Recovery Act funding.
- (2) Based on our experience (i.e. Disaster Assistance), we expect that our initial work will concentrate on Supplemental Nutrition Assistance Program (formerly food stamp) program fraud. For example, after Hurricanes Katrina and Rita, food stamp assistance was provided as part of disaster relief efforts to the victims, and we had a number of cases early on related to that assistance. We are anticipating similar cases involving stimulus funds.
- (3) We will seek to ensure action is taken as the result of our completed investigations to include criminal and/or civil prosecution, asset forfeiture where warranted, and agency administrative sanctions to include suspension and debarments.

Audit and Investigative Reporting

Audit reports will be issued as necessary. A priority will be placed on quick turn-around reports that can then be rolled up into consolidated reports. Emphasis will be placed on notifying agency managers of problems as quickly as possible so that immediate corrective action can be taken.

Investigative reports will be issued upon completion of an investigation or as requested by the U.S. Attorney's Offices or States Attorney General's Offices. We will coordinate with agency managers in situations where suspension and debarment proceedings are appropriate to ensure that immediate action is taken. We will report pursuant to the requirements of the Recovery Act regarding whistleblower complaints.

| <i>Performance Measures*</i> | <i>FY 09 Target</i> |
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| (1) OIG direct resources dedicated to critical-risk and high-impact work. | 90% |
| (2) Audit recommendations resulting in management decision within 1 year of report issuance. | 85% |
| (3) Congressional, Secretarial, and agency-requested audits completed within required or agreed-to timeframes. | 85% |
| (4) Closed investigations that resulted in a referral for action to the Department of Justice, State/local law enforcement officials, or relevant administrative authority. | 70% |
| (5) Closed investigations previously referred for action that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result. | 65% |
| (6) Whistleblower retaliation allegations are investigated and reported within 180 days of receipt. | 75% |
| (7) An investigative determination to decline an allegation of whistleblower retaliation is made within 180 days of receipt. | 100% |
| * OIG will report on our results against this plan in our Semiannual Reports to Congress. | |

Other Reporting

We are working with the other IGs and the Office of Management and Budget to develop a mechanism to separately report financial obligations associated with oversight of Recovery Act programs. As required by OMB guidance, we will report OIG expenditures of both the funds received in the Recovery Act and any other funds used to monitor Recovery Act programs in submissions to Recovery.gov.