



United States Department of Agriculture

Office of Inspector General





Lessons Learned from the Recovery Act: An OIG Perspective

Audit Report 50703-0002-10

What Were OIG's

Objectives

The objective of this report is to consolidate our Recovery Act work to identify the cumulative lessons that should be learned before implementing future programs to improve the integrity, efficiency, and effectiveness of future USDA programs.

What OIG Reviewed

We note that this report is a compilation of previously issued OIG reports that have been discussed with agency and Departmental management. These reports are publicly available and, in preparing this report, we did not conduct any additional audit or investigative work. These prior audits were all conducted in accordance with generally accepted government auditing standards.

What OIG Recommends

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.

OIG compiled its Recovery Act audits and investigations to present “lessons learned” from this broad look at USDA programs.

What OIG Found

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. 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.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: August 19, 2014

AUDIT
NUMBER: 50703-0002-10

TO: Thomas J. Vilsack
Secretary

FROM: Phyllis K. Fong
Inspector General

SUBJECT: Lessons Learned from the Recovery Act: An OIG Perspective

The Office of Inspector General (OIG) seeks to enhance efficiency, effectiveness, accountability, and transparency in the Department of Agriculture. When Congress passed the American Recovery and Reinvestment Act of 2009 (Recovery Act), OIG conducted audits and investigations to ensure that appropriated Federal funds were efficiently, effectively, and properly expended. Based on our completed audit work, the following crosscutting themes emerged from our results:

- program structure
- oversight and monitoring,
- performance measures, and
- quality of USDA's Recovery Act data, including job estimates.

This report constitutes a compilation summarizing our audit and investigation efforts and identifying the crosscutting themes, lessons learned, and conclusions from the work that we performed. We use this report as an opportunity to highlight OIG and the Department's efforts to ensure that the Recovery Act was effectively implemented.

We note that this report is a compilation of previously issued OIG audit reports that have been discussed with agency and departmental management. These audit reports are publicly available and, in preparing this report, we did not conduct any additional audit or investigative work. We recognize that agencies have reported to the Office of the Chief Financial Officer the actions they have taken to implement agreed upon corrective actions in response to our recommendations. However, when drafting this report, we did not evaluate the adequacy and sufficiency of the agencies' corrective actions taken.

If you have any questions or would like to discuss this report, please contact me at (202) 720-8001 or Deputy Inspector General David Gray at (202) 720-7431. You or your staff may also contact Assistant Inspector General for Audit Gil H. Harden at (202) 720-6945, or Assistant Inspector General for Investigations Karen Ellis at (202) 702-3306.

Attachment

cc: (with attachment)

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Table of Contents

Background and Objectives	1
Compilation Report on OIG American Recovery and Reinvestment Act of 2009 Assessments of USDA Agencies and Program Areas	4
Program Structure	5
Oversight and Monitoring	6
Performance Measures	8
Quality of USDA’s Data, Including Job Estimates	9
Office of Investigations	10
Scope and Methodology	13
Abbreviations	15
Exhibit A: Recovery Act Funds Authorized and Appropriated for USDA ...	16
Exhibit B: OIG Recovery Act Activities Summary, FY 2009 through March 31, 2014	18
Exhibit C: List of Published USDA OIG Recovery Act Reports	19
Exhibit D: Summary of Recovery Act Monetary Exceptions	26
Exhibit E: Recovery Act Audits with Recommendations Pending Corrective Action (current as of July 8, 2014)	29
Exhibit F: Office of Investigations Recovery Act Training and Outreach Activities, as of September 30, 2013	32
Exhibit G: Summary of Office of Investigations Activities	35

Background and Objectives

Background

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law in February 2009,¹ providing \$840 billion to 28 Federal agencies in order to:

- Preserve and create jobs and promote economic recovery.
- Assist those entities and individuals most impacted by the recession.
- Provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- Invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
- Stabilize State and local government budgets in order to minimize or avoid reductions in essential services and counterproductive State and local tax increases.

Recovery Act funds were disbursed to recipients through tax benefits and entitlement programs or awarded through contracts, grants and cooperative agreements, and loans. In general, funds had to be obligated by September 30, 2010.

The Recovery Act provided the Department of Agriculture (USDA) over \$28 billion in additional funding 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.² The Recovery Act also provided \$22.5 million for the Office of Inspector General (OIG) oversight and audits (see Exhibit A).³

When Congress passed the Recovery Act, it directed Government agencies to distribute the funding as quickly as possible. At the same time, Congress required unprecedented levels of accountability and transparency for these expenditures, which included USDA OIG oversight and audits of programs, grants, and activities funded by the Recovery Act. The Recovery Act also established the Recovery Accountability and Transparency Board (RATB), which was charged with coordinating and conducting oversight of Recovery Act funds to identify and prevent fraud, waste, and mismanagement.⁴ This included receiving periodic reports of Recovery Act activities from all OIGs.

¹ Public Law (PL) 111-5, dated February 17, 2009.

² For the most part, the Recovery Act provided additional funding for existing programs which were serviced by the existing infrastructure and operating environment.

³ These funds were to remain available until September 30, 2013.

⁴ The Recovery Act stated that the RATB members shall include Inspector Generals from specific agencies, including the USDA.

The overall objectives of our audit oversight of the Recovery Act monies were to ensure that (1) USDA stimulus-related programs were timely and effectively implemented; (2) proper internal controls procedures were established; (3) program participants met eligibility guidelines; (4) participants properly complied with program requirements; and (5) agencies established effective compliance operations. Since speed was a priority with the Recovery Act, we focused on issuing short-turnaround reports, known as “fast reports” that could later be rolled up into consolidated reports.

Our audit work was conducted in multiple phases, based on USDA implementation of Recovery Act-related programs. In the first phase, we reviewed USDA agencies’ implementation of prior agreed-to audit recommendations to determine if corrective actions related to those recommendations were fully implemented and were effective in correcting past weaknesses identified. We also determined whether to expand the scope of in-process or planned audits related to programs receiving Recovery Act funding. In the second phase, we specifically reviewed and evaluated program delivery and compliance for those programs receiving Recovery Act funding. In the last phase, we evaluated agency determinations of Recovery Act program effectiveness through analysis of agency performance measures.

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

OIG’s Office of Investigations undertook a number of activities in multiple phases to both identify fraud as it occurred and expedite, to the extent possible, the investigation and prosecution of the fraud. Like the Office of Audit, the Office of Investigations took a multi-phase approach for the Recovery Act activities. In the first phase, we increased the number of fraud awareness briefings, continued our collaborations with various parties such as the National Procurement Fraud Task Force, and monitored and modified the OIG Hotline for Recovery Act complaints. During the second phase, we assessed the referral sources, such as the OIG Hotline, agencies, and audits. We also opened criminal investigations, as appropriate, and sought to ensure actions were taken that resulted from our completed investigations.

OIG investigators and auditors participated in numerous training and outreach sessions to raise awareness of the potential for fraudulent use of Recovery Act funds and to provide information on how to report allegations of misuse. OIG staff participated as either instructors or attendees, in 44 formal training sessions, totaling more than 7,100 hours, involving over 5,600 individuals. In addition to formal training, OIG held 11 outreach sessions.

As the implementation of the Recovery Act ended, RATB set out to document the lessons learned by agencies and OIGs during their implementation and oversight of the Act. On behalf of RATB, the U.S. Department of the Interior (DOI) OIG compiled and analyzed data from 16 OIGs, including USDA OIG, on what they and their agencies experienced while implementing Recovery Act programs. The final report entitled, *Lessons Learned from the Recovery Act: An Agency and OIG Retrospective*, was issued in May 2013.

The objective of this report is to consolidate our Recovery Act work to identify the cumulative lessons that can be learned to improve the integrity, efficiency, and effectiveness of USDA programs.

Compilation Report on OIG American Recovery and Reinvestment Act of 2009 Assessments of USDA Agencies and Program Areas

USDA took steps to implement the Recovery Act in a manner that was transparent, effective, and efficient. USDA established the Department of Agriculture Recovery Team to oversee the implementation of the Recovery Act. To facilitate transparency and accountability, USDA established a Webpage (<http://www.usda.gov/recovery>) dedicated to the Recovery Act, which provided specific information on its efforts to implement the Recovery Act. In April 2009, USDA launched a geospatial mapping Web-function to show exactly where and how USDA is spending every dollar of Recovery Act funding across the Nation.

USDA OIG worked closely with Department officials to provide effective oversight of Recovery Act funds and address challenges. We were very active in providing training and outreach to USDA agency staff, and State and local officials regarding Recovery Act internal controls, fraud awareness, and the channels available to report wrongdoing in Recovery Act programs.

Office of Audits

As of August 15, 2014, the Office of Audit published 80 consolidated reports and made 401 recommendations to recover funds, correct accounting errors, or improve USDA programs' management controls over Recovery Act programs and activities. USDA officials concurred and provided action plans for 394 of the 401 recommendations. Based on data from USDA's Office of the Chief Financial Officer, as of July 2014, actions were completed for 294 of the 392 recommendations.⁵ As a result of these reviews, we also reported monetary exceptions of over \$5.1 billion, including \$4.9 billion related to questionable or unsupported costs. Exhibits C and D of this report list the 80 consolidated reports and the associated monetary exceptions.

As we completed our consolidated reports, several crosscutting themes emerged from our results:

- Program structure.
- Oversight and monitoring.
- Performance measures.
- Quality of USDA's Recovery Act data, including job estimates.

Rather than a formal audit or evaluation, this report is meant to be a compilation report identifying the crosscutting themes, lessons learned, and conclusions derived from the preponderance of the work we performed. We use this report as an opportunity to highlight OIG and the Department's efforts to ensure that Federal funds are used effectively.

⁵ USDA's Office of the Chief Financial Officer is responsible for reviewing documentation and approving final actions to close OIG audit recommendations. As of the date of this report, OIG has not conducted followup audits to verify that agencies' actions were implemented. As of July 2014, OIG had issued 394 recommendations. Seven additional recommendations were issued in a report issued in August 2014, for a total of 401 recommendations. OCFO does not track final action related to accounting errors, which represent 2 of the 394 recommendations. OIG has reached management decision on the two accounting errors recommendations.

Program Structure

Most programs that received Recovery Act funds were expected to quickly pump money into the economy by immediately executing infrastructure and labor intensive projects. These were known as “shovel ready” projects. However, our reviews discovered USDA encountered challenges because several of its programs were inherently not “shovel ready.”

Although the Natural Resources Conservation Service’s (NRCS) Recovery Act plan for the Watershed Rehabilitation Program stated that projects awarded funding were considered “shovel ready” and the majority should begin construction in fiscal year (FY) 2009, our review found that none of the projects met these Recovery Act goals.⁶ Specifically, none of the 27 selected projects expended half of their funding within the first 120 days, 2 did not complete the dam rehabilitation with Recovery Act funds, and 6 were withdrawn prior to rehabilitation construction. This occurred because NRCS did not accurately communicate to USDA and the Office of Management and Budget (OMB) the nature of 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 projects that could not be completed and missed an opportunity to use \$1.4 million of Recovery Act funds to help the U.S. economy during the recession.

Our review of Rural Utilities Service’s (RUS) controls over the water and waste disposal (WWD) loan and grant program also highlighted challenges with executing projects quickly.⁷ Our review disclosed that RUS did not clearly convey to the public through Recovery.gov the additional time it takes once a project is obligated to begin actual construction, which is the point at which most jobs are created. In our review of 22 projects, we found the Recovery Act’s stated goal—to promote economic recovery through the preservation and creation of jobs—had not been fully met. This was evident in the 22 WWD projects reviewed that reported less than 20 percent of the actual jobs identified in planning estimates has been created over 30 months after passage of the Recovery Act. Without a clear understanding of when project construction begins, the public may misjudge the progress of RUS’ water and waste disposal projects in meeting the goals of the Recovery Act.

Because of the lessons learned from our findings related to the structural challenges of USDA programs, the Department implemented or planned to implement a number of actions. For example, the Department recognized that transparency was important and planned to implement measures to ensure stakeholders are aware of program constraints. In addition, Rural Development posted information on the Rural Development Recovery Act website regarding the timing of water and waste disposal system projects.

⁶ Audit Report 10703-0001-At, *Recovery Act – Rehabilitation of Flood Control Dams*, March 25, 2013.

⁷ Audit Report 09703-0001-At, *Rural Utilities Service’s Controls over Water and Waste Disposal Loan and Grant Program for the Recovery Act*, July 24, 2012.

Oversight and Monitoring

Considering the significant amount of funding for various USDA programs and the amount of resources dedicated to immediately executing these programs, effective oversight and monitoring were critical to the success of the Recovery Act to stimulate the economy. While USDA made significant strides to prepare for this challenge, it identified weaknesses the Department needed to address to adequately oversee and monitor affected programs.

For example, OIG discovered that Rural Development's Rural Business-Cooperative Service (RBS) was not sufficiently reviewing Rural Business Enterprise Grant projects for compliance.⁸ Specifically, OIG found that RBS personnel did not obtain or review a significant number of required project forms and did not always ensure that grant recipients spent prior grant and matching funds before receiving funding for another project. Based on overall sample results, we found that 49 percent of RBS grants may have similar issues, with a projected total value of \$4.6 million. Because RBS staff was not properly trained on grant-specific information, we concluded RBS disbursed improper payments and inconsistently applied requirements.

Additionally, we found that Rural Development field personnel had not always fully complied with the established internal control procedures or Recovery Act provisions to ensure homes and program participants who received Single Family Housing Direct Loans funded by the Recovery Act met eligibility guidelines.⁹ Specifically, we questioned borrower eligibility determinations for 17 loans where borrowers had no history of stable and dependable income, had a credit history that did not indicate the ability and willingness to repay a loan, or did not meet repayment ability guidelines. We also questioned property eligibility determinations for six loans where properties had above-ground swimming pools, or which lacked sufficient documentation that the homes were decent, safe, and sanitary. From our statistical sample, we project that 1,772 loans, worth \$208 million (22 percent of the universe), may have similar noncompliance issues related to ineligible borrowers and properties.

In another audit, we found that Rural Housing Service's (RHS) policies and procedures for Single Family Housing (SFH) guarantee loans were not functioning as intended.¹⁰ We concluded that the controls were not always adequate to safeguard Recovery Act funds and ensure that funds were expended in a manner that minimized the risk of improper use. Based on a review of a statistical sample of loans, we estimated that almost 37 percent of the loan portfolio, with a total projected value of \$4.16 billion, was ineligible. Specifically, we identified ineligible borrowers who received loan guarantees, even though they did not demonstrate the ability to repay the loan, possessed incomes that exceeded program limits, possessed sufficient financial resources to obtain loans without a Government guarantee, already owned adequate housing in their local commuting areas, or purchased homes that had swimming pools. We

⁸ Audit Report 34703-0001-31, *Rural Business Enterprise Grants Recovery Act Controls Field Confirmations*, January 24, 2013.

⁹ Audit Report 04703-0003-KC, *Single-Family Housing Direct Loans Recovery Act Controls – Compliance Review*, June 13, 2012.

¹⁰ Audit Report 04703-0002-Ch, *Controls over Eligibility Determinations for Single Family Housing Guaranteed Loan Recovery Act Funds—Phase 2*, September 30, 2011.

concluded that RHS officials could have done a better job of managing the Recovery Act funds and reducing the risk of future losses to the Government.

We also found that Rural Development needs to strengthen its oversight and reviews of SFH guaranteed loans loss claims.^{11, 12} Specifically, we found that the agency did not: identify loans with questionable eligibility prior to paying loss claims, reduce loss claims when lenders improperly serviced loans, and pay lenders for only eligible expenses. The agency also did not have sufficient controls to fully justify approvals of pre-foreclosure sales, referred to as “short sales.” Given the results of our statistical sample of loss claims, we projected that from March 2009 to February 2011, the agency paid about \$87 million in loss claims that were at risk of improper payments, due to questionable loan eligibility; paid about \$254 million in loss claims for loans that were at risk of improper payments, due to questionable lender servicing; and overpaid \$6.28 million related to 6,607 lender-submitted loss claims.

Similarly, our review of Forest Service (FS) Recovery Act grants for wildland fire management activities, such as hazardous fuels reduction, forest health, and ecosystem improvements, found that FS lacked the necessary controls to ensure that the grant funds were both properly accounted for and used for their intended purpose—not just for Recovery Act grants, but for the entire grant program.¹³ We also found that FS did not enhance its existing controls, despite the Recovery Act’s requirements for greater transparency and accountability. FS’ inadequate oversight allowed grant recipients to charge a total of \$92 million in unallowable and questionable costs to both Recovery Act and non-Recovery Act grants. Of this total, \$63 million came from grant recipients without adequate financial controls and processes, while \$29 million stemmed from FS and other entities’ lack of adherence to the Recovery Act’s objectives.

Another review illustrated the impact of insufficient monitoring, coordination, and guidance on meeting Recovery Act goals within the Food and Nutrition Service’s (FNS) Supplemental Nutrition Assistance Program (SNAP).¹⁴ Specifically, the audit concluded that four of six selected States did not fully comply with Recovery Act provisions for transparency and accountability. In addition, FNS’ regional financial management review process did not adequately identify issues with transaction accounting, or provide reasonable assurance that States’ Recovery Act funds were used in accordance with OMB and FNS requirements.

Finally, our review of the Agricultural Research Service’s (ARS) contract closeout process for Recovery Act projects revealed that ARS’ entire contract closeout process for all projects could be strengthened.¹⁵ We found that ARS lacked adequate management oversight over the contract

¹¹ The SFH Guaranteed Loan Program substantially reduces a private lender’s risk of loss because the Federal Government will reimburse up to 90 percent of the original loan amount if a borrower defaults on a loan. These reimbursements are “loss claims.” The program funding, as well as the number of guaranteed loans, foreclosures, and loss claims paid, increased from FY 2008 to FY 2011.

¹² Audit Report 04703-0003-Hy, *Loss Claims Related to Single Family Housing Guaranteed Loans*, February 25, 2013.

¹³ Audit Report 08703-0005-SF, *American Recovery and Reinvestment Act Forest Service Hazardous Fuels Reduction and Ecosystem Restoration Projects on Non-Federal Lands*, March 28, 2013.

¹⁴ Audit Report 27703-0001-22, *Recovery Act Impacts on Supplemental Nutrition Assistance Program Phase 2*, June 13, 2013.

¹⁵ Audit Report 02703-0001-12, *Agricultural Research Service’s Contract Closeout Process*, August 14, 2013.

closeout process to ensure related contracting activities met intended goals; and ARS' acquisition oversight did not always properly and timely implement Federal-wide processes for evaluating contractor performance and sharing information among the Federal acquisition workforce. As a result, we concluded that the Federal procurement workforce lacked necessary information about ARS' contractors' performance, which could result in future selections of contractors ARS identified as not performing satisfactorily.

The Department took a number of actions to address our recommendations related to oversight and monitoring. In particular, FS, FNS, and Rural Development's actions included recovering identified unallowable costs. Forest Service enhanced its monitoring of grantees' accounting processes. In addition, Rural Development and FS actions included training personnel on responsibilities and requirements when administering its programs. Rural Development also agreed to amend guidance related to SFH guaranteed loan eligibility and loss claims. Finally, ARS' actions included the development of guidance for consistently and timely closing out contracts, and strengthening its oversight of the closeout process. Implementation of these actions will benefit these USDA programs now and in the future.

Performance Measures

To achieve an unprecedented level of accountability and transparency, OMB required that each agency's plan for using Recovery Act funds contain quantifiable outcomes consistent with the intent and requirements of the Recovery Act. USDA agencies developed or used existing performance measures to quantify the success of programs receiving additional Recovery Act funds. Our reviews found that certain measures were not meaningful or realistic, and we identified several additional performance measures that might better reflect the agency's success in meeting the goals of the Recovery Act.

Our review of the four performance measures for SNAP determined these measures did not evaluate how the additional funding achieved the goals of assisting those most impacted by the recession, stabilizing State budgets for essential services, and stimulating the economy. Three of the four measures related to outputs, such as the dollar amount of benefits issued, instead of outcomes. The only outcome performance measure, which dealt with food insecurity, did not directly measure the impact of Recovery Act funds in SNAP to assist those most impacted by the recession.¹⁶

Similarly, our report on the Single-Family Housing Direct Loans Recovery Act Controls revealed that Rural Development established only one measure of performance.¹⁷ However, at least six additional measures, such as "increase in the number of refinances, to ease payments for economically distressed low and very-low income homeowners in rural areas" would have showed American taxpayers how Recovery Act investments achieved established goals.

¹⁶ Audit Report 27703-0002-22, *Recovery Act Performance Measures for the Supplemental Nutrition Assistance Program*, March 28, 2013.

¹⁷ Audit Report 04703-0001-KC, *Single-Family Housing Direct Loans Recovery Act Controls—Phase 1*, November 5, 2009.

To address our findings and recommendations related to USDA performance measures, the Department implemented or planned to implement corrective actions. For example, Rural Development designed two additional performance measures to better track and report the agency's accomplishments in meeting the objectives of the Recovery Act. One of those measures was to increase the percentage of loans closed within established timeframes. Rural Development believed this measure would promote the immediate delivery of Recovery Act funds, thus furthering quick economic recovery.

Quality of USDA's Data, Including Job Estimates

Accurate information is essential to measuring how effective the Department was in accomplishing Recovery Act objectives and goals. The creation of new jobs and preservation of existing jobs were part of the immediate goals of the Recovery Act. Although USDA agencies reported their estimates toward meeting the Recovery Act's goal of creating or saving jobs, we found instances where agencies' estimates were overstated, understated, or misleading.

Our report on Rural Development's Business and Industry Guaranteed Loans noted that the reporting of jobs created and saved differed among the State offices.¹⁸ We also reported that these loans were not always verifiable because the agency's guidance to personnel or lenders did not define criteria for jobs data, state a maximum timeframe in which jobs must be created, require supporting documentation for job estimates, or provide policies and procedures for obtaining supporting documents to ensure that personnel verify that information was reasonable and accurate.

Our data quality review of Recovery Act jobs reported for USDA programs 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.¹⁹ 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.

Job estimates were not the only data anomalies we found during our reviews. Although the Department developed useful tools and techniques to assist agency officials with ensuring data reported to FederalReporting.gov was accurate and reliable, we recommended additional steps the Department needed to take to improve the accuracy of information used to measure the effectiveness of the Recovery Act. FederalReporting.gov is a portal where award recipients submit their award information; this information is then made publicly available on Recovery.gov.

¹⁸ Audit Report 34703-0001-32, *American Recovery and Reinvestment Act—Business and Industry Guaranteed Loans-Phase 3*, March 29, 2013.

¹⁹ Audit Report 50703-0002-13, *Data Quality Review of American Recovery and Reinvestment Act Jobs Reported for USDA Programs*, November 30, 2012.

Our report on USDA FederalReporting.gov March 2011 data quality found errors with USDA’s information.²⁰ Specifically, we reviewed USDA’s 4,974 reported awards and found 1,202 errors in the information reported by recipients on FederalReporting.gov. These errors included 368 misreported award numbers and amounts, and 834 incorrect award dates. Although OMB allowed the enforcement of penalties to encourage recipients to correct identified errors, USDA agency personnel did not consider the errors significant enough to impose penalties.

The Department took a number of actions to address our recommendations related to job estimates and data quality. In particular, the Department updated its guidance to (1) require agencies to validate the jobs numbers and project descriptions; and (2) include progressive steps that USDA agencies may take to ensure that errors are corrected on FederalReporting.gov. The Department also strengthened its data quality tool to include checks on award date and award amount found in the “Anomalies” tab of the daily data extract file. In addition, Rural Development created detailed guidance on how to count and verify jobs created and saved for its programs. At a time when transparency is important, the lessons learned and actions implemented to ensure data quality will benefit USDA for the foreseeable future.

Office of Investigations

As of March 31, 2014, OIG investigations staff had received 91 Recovery Act related hotline complaints, 7 of which were whistleblower reprisal complaints, and 28 RATB referrals related to the Recovery Act. Our investigations led to 84 convictions, settlements, pleas, or judgments; total recoveries of \$11 million; and total forfeiture/seizures of \$1.5 million. As of March 31, 2014, we had seven open investigations.

The majority of the 91 complaints involved Recovery Act work funded by two agencies—the Rural Utilities Service (33 complaints) and the Forest Service (20 complaints). Fewer than 10 complaints each were also filed involving Recovery Act activities in ARS, FNS, NRCS, RBS, and RHS. A total of 64 of the complaints have been closed as of March 31, 2014, with most not being substantiated. Seven complaints were substantiated in whole or in part.²¹

- One of the substantiated Recovery Act complaints determined that a county administrator in Virginia misused Recovery Act funds to extend a broadband project to an unauthorized area; the county was required to repay the funds used for the unauthorized work.
- Several complaints reported other problems with broadband service or billing, which have been addressed.
- Several other complaints reported perceived problems regarding recipients of Recovery Act funds that, while factually correct, did not result in any actual improprieties involving Recovery Act funds or projects.

In addition to the OIG Hotline, we also received proactive leads generated by RATB analysts using software and other analytical tools to identify possible irregularities or suspicious flags

²⁰ Audit Report 50703-0001-13, *American Recovery and Reinvestment Act—USDA FederalReporting.gov March 2011 Data Quality Review*, October 26, 2012.

²¹ Including one that was found to involve only non-Recovery Act funds.

involving Recovery Act awards.²² Nine proactive RATB leads regarding contracts were referred to OIG's Office of Audit. The resulting audit work did not identify any duplication of contracts or irregularities in the procurement process related to the nine contracts. However, the audit did find that Forest Service contracting officials had not considered a contractor's past performance when evaluating a contract; had not timely entered information into the Federal Business Opportunities website for seven of the nine contracts; and had not posted accurate or complete contract information on the website for all nine contracts. The Forest Service generally agreed with our conclusions and agreed to implement corrective actions.²³

One other proactive RATB lead resulted in a joint investigation with several other agencies, leading to the convictions of three individuals who worked together to fraudulently obtain Federal set-aside contracts funded through the Recovery Act and other sources.²⁴ The investigations resulted in the following actions.

In June and July 2012, two Idaho construction company owners were sentenced in U.S. District Court, District of Idaho, for their role in the submission of false statements to ARS, the Small Business Administration (SBA), and the U.S. Department of the Interior. The companies claimed to be Historically Underutilized Business Zone (HUBZone) small business firms so that they could obtain special contracts. One of the contracts fraudulently obtained was an ARS Recovery Act contract totaling \$274,383. The owner of one of the Idaho construction companies was sentenced in June 2012 to 36 months of probation, during which time the company can conduct no business activities, and was ordered to pay a \$65,000 fine for her role in the submission of false statements and certifications to ARS and SBA. In March 2012, she was charged with one count of wire fraud and one count of making false statements in connection with a total estimated fraud amount on four different contracts, totaling \$1.4 million. She pled guilty to one count of wire fraud and one count of making false statements, and admitted she made a false certification to ARS and SBA. In July 2012, the second Idaho construction company owner was sentenced to 36 months of probation and ordered to pay a \$5,000 fine for his role in falsely claiming to be a HUBZone small business entity.

In January 2013, a third Idaho construction company owner was sentenced in U.S. District Court, District of Idaho, for masterminding the establishment of two shell corporations used to obtain SBA set-aside status in order to be awarded Recovery Act and other Federal contracts for which his company and the shell corporations would otherwise not have qualified. In September 2012, this owner was charged with and pled guilty to one count of wire fraud and criminal forfeiture allegations in the amount of \$250,000; he was sentenced to 8 months of home confinement, 80 hours of community

²² These proactive leads generated by RATB's analyses differed from complaints that RATB may have directly received and forwarded to OIG. The complaints are included as Hotline complaints.

²³ Fast Report 03703-0001-Hy(1), *Recovery Accountability and Transparency Board Contract Referrals*, December 31, 2009.

²⁴ We previously reported on the outcome of this investigation in the Semiannual Reports to Congress, 2nd Half of FY 2012 and 1st Half of FY 2013.

service, followed by 24 months of probation, criminal forfeiture of \$150,000, and ordered to pay a \$20,000 fine.

The seven Recovery Act-related investigations open as of March 31, 2014, are related to projects funded through Rural Development, ARS, and FS. Two of the individuals charged as a result of one of the Rural Development investigations pled guilty in February 2014 in Federal court in the Central District of Illinois. They both pled guilty to conspiracy to commit bank fraud, and one of them also pled guilty to money laundering. Our investigation revealed one individual, who also owned a separate construction company, applied for a \$6 million guaranteed Business and Industry loan to purchase, renovate, and equip a factory. That individual then conspired with his son, an executive of the construction company, to have \$1.7 million of the loan funds released under false pretenses. The family-owned construction company was named as the general contractor for the factory renovations. The two were able to falsely and substantially inflate the value of the labor or materials furnished by the construction company, thereby drawing money from the USDA loan for work that was either never performed or was of lesser value than claimed on the son's sworn statements provided to the bank. The investigation was conducted with the Federal Bureau of Investigation, the Internal Revenue Service, and the Federal Deposit Insurance Corporation.

Work continues on the seven investigations and the resulting prosecutions.

Scope and Methodology

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law in February 2009.²⁵ In total, this legislation provided USDA over \$28 billion in additional funding, including \$22.5 million for OIG oversight (see Exhibit A). We prepared this report in order to highlight the crosscutting themes, lessons learned, and conclusions resulting from OIG audits and investigations of Recovery Act programs.

To identify the universe of Recovery Act audits for this report, we ran a query of all Recovery Act consolidated reports published from fiscal year 2009 through fiscal year 2014. In total, we identified 80 consolidated audit reports, which are shown in Exhibit C; they are grouped by mission area and agency and then listed by audit number. In these 80 consolidated reports, OIG made a total of 401 recommendations to recover funds, correct accounting errors, or improve USDA programs' management controls to administer Recovery Act programs and activities. USDA officials concurred and provided action plans to reach management decision for 394 of the 401 recommendations. Based on data from USDA's Office of the Chief Financial Officer, as of July 8, 2014, actions were completed for 294 of the 392 recommendations.²⁶ (See Exhibit E for a listing of recommendations without final action or management decision.) As a result of these reviews, we also reported monetary exceptions of over \$5.1 billion, including \$4.9 billion related to questionable or unsupported costs (see Exhibit D).

To identify the reports used to highlight in this report, we reviewed the executive summaries, scopes, objectives, and backgrounds of the reports to determine if they applied to the crosscutting themes described in this report. We selected 14 audit reports for inclusion in this report. We reviewed and summarized the 14 reports, focusing on their findings and recommendations. We note that this report is a compilation of previously issued audit reports that have been discussed with Departmental and agency management. The Departmental and agency responses to the individual reports are included in the publically available audit reports. These prior audits were all conducted in accordance with generally accepted government auditing standards. In preparing this report, we did not conduct any additional audit work. We obtained comments on a draft of this report from USDA officials, who provided technical comments that we incorporated, as appropriate.

According to the Office of the Chief Financial Officer, 8 of the 14 audits included as examples in this report have had corrective actions taken on all of the recommendations.²⁷ We did not evaluate the sufficiency of any corrective actions implemented as a result of our audit recommendations and, therefore have not made any statements regarding the results of corrective actions in this report.

²⁵ PL 111-5 dated February 17, 2009.

²⁶ OCFO does not track final action for recommendations related to accounting errors. OIG had two such recommendations which have reached management decision. In addition, OIG issued Audit Report 09703-0002-22, *Review of a Utility Company's Use of RUS Financial Assistance*, August 14, 2014. OIG accepted management decision on the seven recommendations in this report, but these recommendations are not reflected in OCFO's July 2014 data.

²⁷ As of July 8, 2014.

We also included information from our investigative activities related to the Recovery Act (see Exhibits B, F, and G).

Abbreviations

ARS.....	Agricultural Research Service
DOI.....	Department of the Interior
FAS	Foreign Agricultural Service
FNS	Food and Nutrition Service
FS	Forest Service
FSA	Farm Service Agency
FY	fiscal year
HUBZone	Historically Underutilized Business Zone
NIFA	National Institute of Food and Agriculture
NRCS	Natural Resources Conservation Service
OCFO.....	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
PL	Public Law
RATB	Recovery Accountability and Transparency Board
RBS.....	Rural Business-Cooperative Service
Recovery Act	American Recovery and Reinvestment Act of 2009
RHS	Rural Housing Service
RUS.....	Rural Utilities Service
SBA	Small Business Administration
SFH	Single Family Housing
SNAP	Supplemental Nutrition Assistance Program
USDA.....	Department of Agriculture
WIC.....	Special Supplemental Nutrition Program for Women, Infants, and Children program
WWD	Water and Waste Disposal

Exhibit A: Recovery Act Funds Authorized and Appropriated for USDA

Exhibit A summarizes the amount of funds authorized and appropriated for USDA under the Recovery Act, listed by agency and program. The figures in parentheses represent loan levels authorized by Congress; these figures are not included in the category totals.

(Dollars in Thousands)

Agency/Program Area	Enacted
Departmental Administration Agriculture Buildings and Facilities	\$24,000
Agricultural Research Service Buildings and Facilities	176,000
Office of Inspector General Oversight and Audit	22,500
Farm Service Agency (FSA) Information Technology	50,000
Farm Operating Direct Loans	20,440
Loan Level	<u>(173,367)</u>
Total FSA	70,440
Natural Resources Conservation Service (NRCS) Watershed and Flood Prevention Operations	290,000
Watershed Rehabilitation Program	<u>50,000</u>
Total NRCS	340,000
Rural Development Salaries and Expenses	<i>Footnote A</i>
Rural Development, Rural Business-Cooperative Service (RBS) Rural Business and Industry Guaranteed Loan Program	130,000
Loan Level	<u>(2,990,000)</u>
Rural Business Enterprise Grants	<u>20,000</u>
Total RBS	150,000
Rural Development, Rural Housing Service (RHS) Rural Community Facilities Loans Program	67,000
Loan Level	<u>(1,171,000)</u>
Rural Community Facilities Grants Program	63,000
Section 502 Direct Single Family Housing Loan Program	67,000
Loan Level	<u>(1,000,000)</u>
Section 502 Guaranteed Single Family Housing Loan Program	133,000
Loan Level	<u>(10,472,000)</u>
Total RHS	330,000
Rural Development, Rural Utilities Service (RUS) Rural Water & Waste Disposal Direct Loan Program	412,000
Loan Level	<u>(2,820,000)</u>
Rural Water & Waste Disposal Grants Program	968,000
Distance Learning, Telemedicine & Broadband Grants	<i>Footnote B</i>

Agency/Program Area	Enacted
Program Distance Learning, Telemedicine & Broadband Loan Program Loan Level Total RUS	2,500,000 <i>Footnote B</i> <hr/> 3,880,000
Food and Nutrition Service (FNS), Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) WIC Management Information Systems WIC Contingency Funds Total WIC	100,000 <u>400,000</u> 500,000
FNS, Supplemental Nutrition Assistance Program (SNAP) Increased Benefits State Administrative Expenses Food Distribution Program on Indian Reservations Administrative Expenses FNS Management and Oversight Total SNAP	19,836,500 290,500 5,000 <u>4,500</u> <i>Footnote C</i> 20,136,500
Food and Nutrition Service, Child Nutrition Equipment Assistance	100,000
Food and Nutrition Service The Emergency Food Assistance Program	150,000
Forest Service (FS) Capital Improvement and Maintenance Wildland Fire Management Total FS	650,000 <u>500,000</u> 1,150,000
Agricultural Disaster Assistance Transition 2008 Transition Assistance Aquaculture Assistance Grants (CCC Funds) Total Disaster Assistance	<i>Footnote C</i> 744,000 <u>50,000</u> 794,000
Foreign Agricultural Service Trade Adjustment Assistance for Farmers	<i>Footnote C & D</i> 202,500
RECAP: Total, USDA Discretionary Funds Total, USDA Mandatory Funds Total, USDA	6,942,940 <u>21,083,000</u> 28,025,940

Source: USDA/OBPA 02/23/2009

http://www.usda.gov/documents/FY09_Stimulus_Enacted.pdf

Footnotes:

Footnote A The Act allows up to 3 percent of the funds provided to Rural Development for administrative costs (approximately \$130.8 million).

Footnote B Broadband loan budget authority and loan levels to be determined by the agency.

Footnote C Mandatory funding; reflects Congressional Budget Office scoring.

Footnote D Provides \$90 million annually through December 31, 2010 and \$22.5 million for the first quarter of FY 2011.

Exhibit B: OIG Recovery Act Activities Summary, FY 2009 through March 31, 2014

Exhibit B shows a snapshot summary of OIG investigative and audit Recovery Act activities from FY 2009 through March 31, 2014.

Monetary Results (\$)	
Recoveries	\$11,390,805
Forfeitures/Seizures	\$1,484,514
Estimated Savings	\$405,412
Questioned Costs	\$4,784,937,197
Unsupported Costs	\$44,694,063
Recommendations for Better Use of Funds	\$251,398,673
Work Products	
Training/Outreach Sessions Provided	55
Complaints Received	84
Whistleblower Reprisal Allegations	
Received	7
Accepted	2
Investigations	
Active - Open and Underway ²⁸	7
Convictions, Settlements, Judgments	84
ARRA \$ Loss Associated with Convictions and Other Prosecutive Actions	\$405,412
Audits/Inspections/Evaluations/Reviews	
In Process - Initiated and Underway ²⁹	2
Completed Final Published Work Products	79
Completed Unpublished Work Products	0
Quality Control Reviews (QCRs) Issued	0

²⁸ Active as of March 31, 2014.

²⁹ Work in process as of March 31, 2014, included this assignment (50703-0002-10) and Audit 09703-0002-22, *Review of a Utility Company's Use of RUS Financial Assistance*, issued August 14, 2014.

Exhibit C: List of Published USDA OIG Recovery Act Reports

Exhibit C lists the 80 Recovery Act audit reports published by USDA OIG.

Farm and Foreign Agricultural Services

Farm Service Agency

[03703-0001-Ch](#), *Controls Over Aquaculture Grant Recovery Act Funds (Phase 1)*, issued 12/29/09.

[03703-0001-Te](#), *American Recovery and Reinvestment Act – Direct Farm Operating Loans (Phase 1)*, issued 02/25/10.

[03703-0002-Te](#), *American Recovery and Reinvestment Act Direct Farm Operating Loans (Phase 2)*, issued 01/13/11).

[03703-0001-IT](#), *American Recovery and Reinvestment Act Spending for Farm Service Agency Information Technology*, issued 03/31/11.

[03703-0002-Ch](#), *Controls Over Aquaculture Grant Recovery Act Funds (Phase 2)*, issued 01/20/12.

[50703-0001-31](#), *Supplemental Revenue Assistance Payment Program— American Recovery and Reinvestment Act of 2009*, issued 03/12/12.

Food, Nutrition, and Consumer Services

Food and Nutrition Service

[27703-0001-KC](#), *Supplemental Nutrition Assistance Program Benefits and the Thrifty Food Plan*, issued 12/03/09.

[27703-0001-Hy](#), *Funds Provided by the American Recovery and Reinvestment Act for Management and Oversight of the Supplemental Nutrition Assistance Program*, issued 12/16/09.

[27703-0001-At](#), *Review of the Emergency Food Assistance Program*, issued 03/31/10.

[27703-0001-Ch](#), *Oversight of the Recovery Act WIC Contingency Funds*, issued 04/22/10.

[27703-0002-Hq](#), *Recovery Act Equipment and Facility Assistance—Food and Nutrition Service’s Food Distribution Program on Indian Reservations*, issued 09/30/10.

[27703-0001-Te](#), *Controls Over Outsourcing of Food and Nutrition Service’s Supplemental Nutrition Assistance Program Electronic Benefits Transfer Call Centers*, issued 06/30/11.

[27703-0001-IT](#), *American Recovery and Reinvestment Act Spending for Food and Nutrition Service Special Supplemental Nutrition Program for Women, Infants, and Children Management Information Systems*, issued 08/22/11.

[27703-0002-Hy](#), *State Fraud Detection Efforts for the Supplemental Nutrition Assistance Program*, issued 01/27/12.

[27703-0001-Hq](#), *American Recovery and Reinvestment Act—National School Lunch Program Equipment Assistance Grants*, issued 02/15/12.

[27703-0002-At](#), *Recovery Act Impacts on the Supplemental Nutrition Assistance Program*, issued 06/01/12.

[27703-0003-At](#), *Review of the Food and Nutrition Service’s Controls Over the Emergency Food Assistance Program - Phase II*, issued 06/07/12.

[27703-0002-22](#), *Recovery Act Performance Measures for the Supplemental Nutrition Assistance Program*, issued 03/28/13.

[27703-0001-22](#), *Recovery Act Impacts on Supplemental Nutrition Assistance Program Phase II*, issued 06/13/13.

Rural Development

[85703-0001-Hq](#), *Existing Risk to Rural Development’s Economic Recovery Program*, issued 04/03/09.

Rural Business-Cooperative Service

[34703-0001-KC](#), *Controls Over Recovery Act Rural Business Enterprise Grants*, issued 03/31/10.

[34703-0001-Te](#), *American Recovery and Reinvestment Act – Business and Industry Guaranteed Loan Program (Phase 1)*, issued 03/31/10.

[34703-0002-Te](#), *Rural Development, American Recovery and Reinvestment Act - Business and Industry Guaranteed Loans - Phase 2*, issued 02/13/12.

[34703-0002-KC](#), *The Recovery Act—Rural Development’s Controls Over Rural Business Enterprise Grants*, issued 09/05/12.

[34703-0001-31](#), *The Recovery Act—Rural Development’s Rural Business Enterprise Grants Field Confirmations*, issued 01/24/13.

[34703-0001-32](#), *American Recovery and Reinvestment Act—Business and Industry Guaranteed Loans - Phase 3*, issued 03/29/13.

Rural Housing Service

[04703-0001-Ch](#), *Controls Over Eligibility Determinations for Single Family Housing Guaranteed Loan Recovery Act Funds*, issued 09/30/09.

[04703-0001-KC](#), *Single Family Housing Direct Loans Recovery Act Controls (Phase I)*, issued 11/05/09.

[04703-0001-Hy](#), *Controls Over Rural Community Facilities Direct Loan and Grant Program Recovery Act Activities - Phase I*, issued 06/29/10.

[04703-0002-KC](#), *Single-Family Housing Direct Loans Recovery Act Controls - Phase II*, issued 09/24/10.

[04703-0002-Ch](#), *Controls Over Eligibility Determinations for Single Family Housing Guaranteed Loan Recovery Act Funds (Phase 2)*, issued 09/30/11.

[04703-0003-KC](#), *Single-Family Housing Direct Loans Recovery Act Controls—Compliance Review*, issued 06/13/12.

[04703-0002-Hy](#), *Rural Development's Controls over Eligibility Determinations for the Rural Community Facilities Program's Direct Loan and Grant Recovery Act Activities - Phase 2*, issued 09/28/12.

[04703-0001-31](#), *Rural Development's Single-Family Housing Direct and Guaranteed Loans-Recovery Act—Effectiveness Review*, issued 12/12/12.

[04703-0003-Hy](#), *Loss Claims Related to Single Family Housing Guaranteed Loans*, issued 02/25/13.

Rural Utilities Service

[09601-0001-At](#), *Rural Utilities Service Controls over the Water and Waste Disposal Loans and Grants*, issued 09/30/10.³⁰

[09703-0001- At](#), *Rural Utilities Service's Controls Over Water and Waste Disposal Loan and Grant Program for the Recovery Act*, issued 07/24/12.

[09703-0001-22](#), *Rural Utilities Service Controls Over Recovery Act Water and Waste Loans and Grants Expenditures and Performance Measures*, issued 03/26/13.

³⁰ When the final audit was issued, there were findings included pertaining to the Recovery Act; however, the two recommendations that referenced funds to be put to better use and questioned costs (\$8,036,611) were not Recovery Act related and the monetary values were not captured in any required reportings.

09703-0002-22, *Review of a Utility Company's Use of RUS Financial Assistance*, issued 08/14/14.

[09703-0001-32](#), *American Recovery and Reinvestment Act of 2009—Broadband Initiatives Program—Pre-Approval Controls*, issued 03/29/13.

[09703-0002-32](#), *American Recovery and Reinvestment Act of 2009—Broadband Initiatives Program—Post-Award Controls*, issued 08/22/13.

Natural Resources and Environment

Forest Service

[08703-0001-Hq](#), *Existing Risk to Forest Service's Economic Recovery Program*, issued 04/03/09.

[08703-0001-Hy](#), *Oversight and Control of Forest Service American Recovery and Reinvestment Act Activities*, issued 09/30/11.

[08703-0003-SF](#), *American Recovery and Reinvestment Act—Forest Service Capital Improvement and Maintenance Projects Roads, Bridges, and Related Watersheds*, issued 03/12/12.

[08703-0006-SF](#), *American Recovery and Reinvestment Act—Forest Service Capital Improvement and Maintenance Projects Abandoned Mine Remediation*, issued 05/03/12.

[08703-0001-SF](#), *American Recovery and Reinvestment Act—Forest Service—Wildland Fire Management—Wood-to-Energy Projects*, issued 06/15/12.

[08703-0002-SF](#), *American Recovery and Reinvestment Act—Forest Service Capital Improvement and Maintenance Projects—Facility Improvement, Maintenance, and Rehabilitation*, issued 07/03/12.

[08703-0004-SF](#), *American Recovery and Reinvestment Act—Forest Service Capital Improvement and Maintenance Projects—Trail Maintenance and Decommissioning*, issued 07/03/12.

[08703-0001-At](#), *Forest Service's Use of Recovery Act Funds for Wildland Fire Management on Federal Lands*, issued 09/28/12.

[08703-0005-SF](#), *American Recovery and Reinvestment Act—Forest Service Hazardous Fuels Reduction and Ecosystem Restoration Projects on Non-Federal Lands*, issued 03/28/13.

[08703-0001-41](#), *Forest Service Performance Measures for Recovery Act Projects*, issued 03/28/13.

Natural Resources Conservation Service

[10703-0001-KC](#), *American Recovery and Reinvestment Act, Emergency Watershed Protection Program Floodplain Easements - Phase I*, issued 09/08/10.

[10703-0002-KC](#), *American Recovery and Reinvestment Act - Watershed Protection and Flood Prevention Operations Program - Phase I*, issued 09/30/10.

[10703-0003-KC](#), *American Recovery and Reinvestment Act, Emergency Watershed Protection Program Floodplain Easements, Easement Applications on Non-Agricultural Land*, issued 03/14/12.

[10703-0004-KC](#), *American Recovery and Reinvestment Act—Watershed Protection and Flood Prevention Operations Program—Field Confirmations*, issued 07/24/12.

[10703-0005-KC](#), *Recovery Act—Emergency Watershed Protection Program Floodplain Easements, Field Confirmations*, issued 03/14/13.

[10703-0001-31](#), *Recovery Act—NRCS’ Emergency Watershed Protection Program Floodplain Easements and Watershed Operations Effectiveness Review*, issued 03/14/13.

[10703-0001-At](#), *Recovery Act—Rehabilitation of Flood Control Dams*, issued 03/25/13.

Research, Education, and Economics

Agricultural Research Service

[02703-0001-Hq](#), *General Procurement Oversight Audit of Beltsville’s Agriculture and Research Center Steam Study Task Order Awarded to Perkins + Will, Inc.*, issued 09/15/10.

[02703-0002-Hq](#), *General Procurement Oversight Audit of Architectural and Engineering Services Contracts Awarded by Agricultural Research Service to RMF Engineering, Inc.*, issued 09/15/10.

[02703-0003-Hq](#), *General Procurement Oversight Audit of Beltsville’s Agricultural Research Service’s National Agricultural Library Bricks Repair Contract Awarded to Vigil Contracting, Inc.*, issued 05/06/11.

[02703-0004-Hq](#), *Procurement Oversight Audit of Southeast Poultry Research Laboratory, Replacement of Critical Mechanical Systems Serving Buildings 1, 4, and 34 Contract Awarded by Agricultural Research Service to Peachtree Mechanical, Inc.*, issued 07/01/11.

[02703-0006-Hq](#), *Procurement Oversight Audit of Construction Contract Awarded by Agricultural Research Service to Veterans Construction, LLC*, issued 08/22/11.

[02703-0005-Hq](#), *Procurement Oversight Audit of Architect-Engineer Services Contract Awarded by Agricultural Research Service to Delta Engineers & Architects, P.C.*, issued 09/30/11.

[02703-0008-Hq](#), *Procurement Oversight Audit of National Center for Agricultural Utilization Research Contract*, issued 12/21/11.

[02703-0009-Hq](#), *Procurement Oversight Audit of the Western Regional Research Facility Contract Awarded by Agricultural Research Service to Abide International, Inc.*, issued 12/21/11.

[02703-0007-Hq](#), *Procurement Oversight Audit of National Center for Agricultural Utilization Research Contract*, issued 06/07/12.

[02703-0002-10](#), *Procurement Oversight Audit of Red River Valley Agricultural Research Center Contract*, issued 06/18/12.

[02703-0001-10](#), *Procurement Oversight Audit of the Invasive Plant Research Laboratory Contract*, issued 09/07/12.

[02703-0001-12](#), *Agricultural Research Service's Contract Closeout Process (Recovery Act)*, issued 08/14/13.

Departmental Management

Management Services

[50703-0001-Hq](#), *General Procurement Oversight Audit of Departmental Management's South Building Modernization Project*, issued 06/30/10.

Office of Procurement and Property Management / Office of Operations

[50703-0001-12](#), *Recovery Act Procurement Oversight Audit of South Building Modernization Project*, issued 03/25/13.

Office of the Chief Financial Officer

[11703-0001-Hq](#), *American Recovery and Reinvestment Act Reporting Oversight*, issued 10/23/09.

[50703-0001-DA](#), *American Recovery and Reinvestment Act – Review of the Effectiveness of the Department/Agency Data Quality Review Processes*, issued 06/23/10.

[50703-0001-13](#), *American Recovery and Reinvestment Act—USDA FederalReporting.gov March 2011 Data Quality Review*, issued 10/26/12.

[50703-0002-13](#), *Data Quality Review of American Recovery and Reinvestment Act Jobs Reported for USDA Programs*, issued 11/30/12.

General

Multi-Agency

[50703-0002-DA](#), *American Recovery and Reinvestment Act – Review of the Effectiveness of the Department/Agency Data Quality Review Processes*, issued 06/25/10 [to the Recovery Accountability and Transparency Board].

[50703-0001-23](#), *American Recovery and Reinvestment Act – Trade Adjustment Assistance for Farmers Program*, issued 10/18/13.

Special Reports Performed on Behalf of the Council of the Inspectors General on Integrity and Efficiency

Internet Access to Information on Office of Inspector General Oversight of Agency Implementation of the American Recovery and Reinvestment Act of 2009, issued [01/28/10](#).

Office of Inspector General Efforts to Support Effective Implementation of the American Recovery and Reinvestment Act of 2009, issued [07/07/10](#).

Exhibit D: Summary of Recovery Act Monetary Exceptions

Exhibit D summarizes the monetary results for our Recovery Act audit reports.

Audit Number/Title/Issue Date	Questioned/ Unsupported Costs	Funds to be Put to Better Use	Other³¹
03703-0002-Ch , <i>Controls Over Aquaculture Grant Recovery Act Funds (Phase 2)</i> , issued 01/20/12.	\$229,533	\$12,135	\$5,177
04703-0002-Ch , <i>Controls Over Eligibility Determinations for Single Family Housing Guaranteed Loan Recovery Act Funds (Phase 2)</i> , issued 09/30/11.	\$4,160,000,000	\$0	\$0
04703-0003-Hy , <i>Loss Claims Related to Single Family Housing Guaranteed Loans</i> , issued 02/25/13.	\$346,933,834	\$0	\$0
04703-0003-KC , <i>Single-Family Housing Direct Loans Recovery Act Controls—Compliance Review</i> , issued 06/13/12.	\$221,000,000	\$0	\$0
08703-0001-At , <i>Forest Service’s Use of Recovery Act Funds for Wildland Fire Management on Federal Lands</i> , issued 09/28/12.	\$0	\$1,500,000	\$0
08703-0001-SF , <i>American Recovery and Reinvestment Act—Forest Service—Wildland Fire Management—Wood to Energy Projects</i> , issued 06/15/12.	\$9,061,395	\$0	\$0
08703-0002-SF , <i>American Recovery and Reinvestment Act—Forest Service Capital Improvement and Maintenance Projects—Facility Improvement, Maintenance, and Rehabilitation</i> , issued 07/03/12.	\$8,089	\$0	\$0
08703-0003-SF , <i>American Recovery and Reinvestment Act—Forest Service Capital Improvement and Maintenance Projects Roads, Bridges, and Related Watersheds</i> , issued 03/12/12.	\$0	\$0	\$21,458

³¹ These amounts are not reported in our Semiannual Reports or tracked to final action. They include accounting classification errors for monetary amounts which have been incorrectly recorded in financial records and which may impact the usefulness of information used for management statistical or financial reporting purposes. These monetary amounts do not impact actual expenditures or receipts and do not represent funds to be put to better use. These monetary amounts also include under payments/over collections which represent expenditures that should have been made or collections that should not have been made under applicable provisions of law or regulations.

Audit Number/Title/Issue Date	Questioned/ Unsupported Costs	Funds to be Put to Better Use	Other
08703-0004-SF , <i>American Recovery and Reinvestment Act—Forest Service Capital Improvement and Maintenance Projects—Trail Maintenance and Decommissioning</i> , issued 07/03/12.	\$406,534	\$0	\$1,653,228
08703-0005-SF , <i>American Recovery and Reinvestment Act—Forest Service Hazardous Fuels Reduction and Ecosystem Restoration Projects on Non-Federal Lands</i> , issued 03/28/13.	\$65,994,351	\$25,779,197	\$0
09703-0001-At , <i>Rural Utilities Service’s Controls Over Water and Waste Disposal Loan and Grant Program for the Recovery Act</i> , issued 07/24/12.	\$79,000	\$0	\$0
09703-0001-22 , <i>Rural Utilities Service Controls Over Recovery Act Water and Waste Loans and Grants Expenditures and Performance Measures</i> , issued 03/26/13.	\$0	\$454,355	\$0
09703-0001-32 , <i>American Recovery and Reinvestment Act of 2009—Broadband Initiatives Program—Pre-Approval Controls</i> , issued 03/29/13.	\$0	\$6,378,419	\$0
09703-0002-22 , <i>Review of a Utility Company’s Use of RUS Financial Assistance</i> , issued 08/14/14.	\$27,226,455	\$11,395,145	\$0
09703-0002-32 , <i>American Recovery and Reinvestment Act of 2009—Broadband Initiatives Program—Post Award Controls</i> , issued 08/22/13.	\$0	\$150,503,439	\$0
10703-0001-31 , <i>Recovery Act—NRCS’ Emergency Watershed Protection Program Floodplain Easements and Watershed Operations Effectiveness Review</i> , issued 03/14/13.	\$0	\$231,100	\$0
10703-0001-At , <i>Recovery Act—Rehabilitation of Flood Control Dams</i> , issued 03/25/13.	\$0	\$1,440,028	\$0
10703-0004-KC , <i>American Recovery and Reinvestment Act—Watershed Protection and Flood Prevention Operations Program—Field Confirmations</i> , issued 07/24/12.	\$1,285,000	\$0	\$0

Audit Number/Title/Issue Date	Questioned/ Unsupported Costs	Funds to be Put to Better Use	Other
10703-0005-KC , <i>Recovery Act—NRCS’ Emergency Watershed Protection Program Floodplain Easements Field Confirmations</i> , issued 03/14/13.	\$121,302	\$0	\$18,172
27703-0001-22 , <i>Recovery Act Impacts on Supplemental Nutrition Assistance Program (Phase 2)</i> , issued 06/13/13.	\$470,272	\$0	\$0
34703-0001-31 , <i>The Recovery Act—Rural Development’s Rural Business Enterprise Grants Field Confirmations</i> , issued 01/24/13.	\$4,844,655	\$0	\$0
34703-0001-32 , <i>American Recovery and Reinvestment Act—Business and Industry Guaranteed Loans (Phase 3)</i> , issued 03/29/13.	\$2,600,000	\$0	\$0
34703-0002-Te , <i>American Recovery and Reinvestment Act—Rural Development, Business and Industry Guaranteed Loans (Phase 2)</i> , issued 02/13/12.	\$16,419,810	\$0	\$0
50703-0001-23 , <i>Recovery Act – Trade Adjustment Assistance for Farmers Program</i> , issued 10/18/13	\$177,485	\$65,100,000	\$0
TOTALS	\$4,856,857,715	\$262,793,818	\$1,698,035

Exhibit E: Recovery Act Audits with Recommendations Pending Corrective Action (current as of July 8, 2014)

Exhibit E lists, by agency and audit number, audits with recommendations pending corrective actions as of July 8, 2014, as reported by the Office of the Chief Financial Officer (OCFO).³² Audits not identified in the table have achieved final action per OCFO's records dated July 8, 2014.

Audit Number	Audit Title	Issue Date	Total Number of Recs without Final Action	Recommendation Numbers		
				Pending Monetary Collection ³³ (OCFO)	Pending Final Action ³⁴ (OCFO)	Pending Management Decision ³⁵ (OIG)
FOOD AND NUTRITION SERVICE						
27703-0001-22	Recovery Act Impacts On Supplemental Nutrition Assistance Program Phase II	06/13/13	1	1	0	0
TOTAL			1	1	0	0
FOREST SERVICE						
08703-0001-At	Forest Service's Use of Recovery Act Funds for Wildland Fire Management On Federal Lands	09/28/12	8	0	1, 2, 3, 4, 5, 8, 9, 10	0
08703-0005-SF	Recovery Act – Forest Service “Hazardous Fuels Reduction and Ecosystem Restoration Projects on Non-Federal Lands	03/28/13	24	0	1, 2, 3, 5, 6, 8, 9, 10, 12, 24, 26, 27, 30, 31, 37, 38, 48, 49, 51, 56-58	22, 23
TOTAL			32	0	30	2

³² OIG did not validate statistics as reported in OCFO's Management Information Tracking System.

³³ “Pending Monetary Collection” indicates that collections of disallowed costs are still pending and have not been reported to OCFO.

³⁴ “Pending Final Action” indicates that agencies have agreed to implement OIG's recommendations, but supporting documentation of the corrective actions has not been provided to OCFO.

³⁵ “Pending Management Decision” indicates that agencies and OIG have not reached agreement on actions to be taken to implement OIG's recommendations.

Audit Number	Audit Title	Issue Date	Total Number of Recs without Final Action	Recommendation Numbers		
				Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
MULTI-AGENCY						
50703-0001-23	American Recovery and Reinvestment Act, Trade Adjustment Assistance for Farmers Program ³⁶	10/18/13	14	0	FAS:1, 2, 3, 4, 6, 8, FSA: 11, NIFA: 14, 15	FAS: 5, FSA: 7,9,12,13
TOTAL			14	0	9	5
NATURAL RESOURCES CONSERVATION SERVICE						
10703-0001-At	Recovery Act – Rehabilitation of Flood Controls Dams	03/25/13	3	0	1, 4, 5	0
10703-0001-KC	NRCS Recovery Act Emergency Watershed Protection Program Floodplain Easement Phase I	09/08/10	1	0	4	0
10703-0003-KC	Recovery Act, Emergency Watershed Protection Program Floodplain Easements, Easement Applications on Non-Agricultural Land	03/14/12	1	0	2	0
10703-0005-KC	Recovery Act – NRCS’ Easement Watershed Protection Program Floodplain Easements Field Confirmations	03/14/13	1	6	0	0
TOTAL			6	1	5	0
RURAL DEVELOPMENT						
04703-0002-Ch	Controls Over Eligibility Determinations for Single Family Housing Guaranteed Loan Recovery Act Funds (Phase 2)	09/28/11	23	0	3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 23, 25, 26, 27, 28, 29	0

³⁶ This audit contained recommendations for three agencies, Foreign Agricultural Service (FAS), Farm Service Agency (FSA), and National Institute of Food and Agriculture (NIFA).

			Recommendation Numbers			
Audit Number	Audit Title	Issue Date	Total Number of Recs without Final Action	Pending Monetary Collection (OCFO)	Pending Final Action (OCFO)	Pending Management Decision (OIG)
04703-0003-Hy	Loss Claims Related to Single Family Housing Guaranteed Loans	02/25/13	9	12	2,7,8,15,20,21,22,23	0
09703-0001-22	Rural Utilities Service Controls Over Recovery Act Water and Waste Loans and Grants Expenditures and Performance Measures	03/26/13	3	0	1, 2, 3	0
09703-0001-32	Recovery Act – Broadband Initiatives Program – Pre-Approval Controls	03/29/13	5	0	1, 2, 3, 6, 7	0
09703-0002-32	Recovery Act – Broadband Initiatives Program - Post-Award Controls	08/22/13	1	0	3	0
34703-0001-32	Recovery Act – Business and Industry Guaranteed Loans – Phase 3	03/29/13	1	0	3	0
34703-0002-Te	Recovery Act – Business and Industry Guaranteed Loans, Phase 2	12/05/11	4	0	1, 2, 3, 4	0
TOTAL			45	1	44	0
GRAND TOTAL		15	98	3	88	7

Exhibit F: Office of Investigations Recovery Act Training and Outreach Activities, as of September 30, 2013

Exhibit F details OIG Office of Investigations training and outreach activities.

TRAINING ACTIVITIES				
Type of Training	Target Audience	Title of Training	Training Location (City, State)	Date of Training
Fraud Prevention/Awareness	Federal	ARRA Oversight	Cape May, NJ	4/14/2009
Anti-trust	Federal	Anti-Trust and ARRA	Washington, DC	5/21/2009
Fraud Prevention/Awareness	State	Avoiding the Pitfalls: Protecting Recovery Dollars from Waste and Fraud	Fresno, CA	7/8/2009
Fraud Prevention/Awareness	State	ARRA Fraud Prevention and Detection Training for the State of CA	Sacramento, CA	7/28/2009
Anti-trust	Federal	Anti-Trust and ARRA	Beltsville, MD	6/24/2009
Fraud Prevention/Awareness	Local	ARRA Fraud Prevention and Detection Training	Kansas City, MO	5/19/2009
Fraud Prevention/Awareness	State	ARRA Fraud Prevention and Detection Training for the State of CA	San Diego, CA	9/14/2009
Fraud Prevention/Awareness	State	ARRA Fraud Prevention and Detection Training for the State of CA	Los Angeles, CA	9/15/2009
Fraud Prevention/Awareness	State	ARRA Fraud Prevention and Detection Training for the State of CA	San Francisco, CA	9/17/2009
Fraud Prevention/Awareness	Mixed	Stimulus Recovery Act Fraud Awareness	Philadelphia, MS	10/15/2009
Fraud Prevention/Awareness	Mixed	OIG Fraud Awareness	Raleigh, NC	12/1/2009

TRAINING ACTIVITIES

Type of Training	Target Audience	Title of Training	Training Location (City, State)	Date of Training
Fraud Prevention/Awareness	Mixed	OIG Fraud Awareness	Jonesboro, GA	12/16/2009
Fraud Prevention/Awareness	State	Protecting America's Agricultural Assets	Raleigh, NC	2/17/2010
Fraud Prevention/Awareness	Federal	Presentation to ND Rural Development Staff	Fargo, ND	3/3/2010
Fraud Prevention/Awareness	Federal	OIG Fraud Awareness (Recovery Act)	Raleigh, NC	3/9/2010
Fraud Prevention/Awareness	Federal	OIG Fraud Awareness	Jacksonville, FL	4/6/2010
Fraud Prevention/Awareness	Mixed	OIG Fraud Awareness/ARRA	Research Triangle Park, NC	6/10/2010
Fraud Prevention/Awareness	Mixed	OIG Fraud Awareness/ARRA	North Myrtle Beach, SC	6/21/2010
Fraud Prevention/Awareness	Local	OIG Fraud Awareness	Miami, FL	7/27/2010
Fraud Prevention/Awareness	Mixed	OIG Fraud Awareness	Raleigh, NC	8/5/2010
Fraud Prevention/Awareness	Mixed	OIG Fraud Awareness	Raleigh, NC	9/8/2010
Fraud Prevention/Awareness	Mixed	OIG Fraud Awareness	Raleigh, NC	9/13/2010
Fraud Prevention/Awareness	Mixed	OIG Fraud Awareness	Asheville, NC	9/28/2010
Fraud Prevention/Awareness	Mixed	OIG Fraud Awareness	New York, NY	2/15/2011
Fraud Prevention/Awareness	State	OIG Fraud Awareness	Raleigh, NC	2/16/2011
Fraud Prevention/Awareness	Mixed	OIG Fraud Awareness	Wrightsville Beach, NC	2/18/2011
Fraud Prevention/Awareness	State	Fraud Awareness	Wilson, NC	3/1/2011
Fraud Prevention/Awareness	Mixed	Fraud Awareness/ARRA	Durham, NC	8/18/2011

TRAINING ACTIVITIES				
Type of Training	Target Audience	Title of Training	Training Location (City, State)	Date of Training
Fraud Prevention/Awareness	State	Fraud Awareness/ARRA	Lexington, NC	8/19/2011
Fraud Prevention/Awareness	Federal	Fraud Awareness	Wrightsville Beach, NC	2/17/2012
Fraud Prevention/Awareness	Mixed	Fraud Awareness	Kannapolis, NC	3/16/2012
Fraud Prevention/Awareness	Mixed	Fraud Awareness	Wilson, NC	3/16/2012
Fraud Prevention/Awareness	State	Fraud Awareness	Burlington, NC	8/9/2012

OUTREACH ACTIVITIES				
Organization to which Outreach Provided	Number of Organizations Represented at Outreach Session	Description of Outreach	Outreach Location (City, State)	Date of Outreach
MD Human Services Agency OIG	2	To discuss concerns related to increased SNAP funding under ARRA and other issues	Baltimore, MD	6/2/2009
CA Department of Health Services	1	To discuss mutual ARRA-related WIC investigations	CA	6/4/2009
Local Law Enforcement Agencies and Organized Retail Crime Fraud Investigators	8	USDA-OIG's Role in Detecting ARRA Fraud	Hauppauge, NY	10/21/2009
State and local law enforcement agencies	35	ARRA was discussed as part of presentation on USDA-OIG	Oakland, CA	11/4/2009
State, local and county level employees in NV	40	ARRA fraud awareness/prevention	Carson City, NV	12/1/2009
Rotary Club	1	Presentation on ARRA	Canton, MS	5/27/2010
Coastal Bend Intel Sharing Group	10	Provided information on ARRA and OIG	Corpus Christi, TX	8/5/2010

Exhibit G: Summary of Office of Investigations Activities

Exhibit G shows the summary of the Office of Investigations activities as of March 31, 2014. This information was reported to RATB. Infrastructure represents those activities related to Recovery Act contract, grant, and loan programs. As directed by the RATB, we reported a portion of our Supplemental Nutrition Assistance Program (SNAP) investigative work as Recovery Act-related as the Recovery Act increased the value of SNAP benefits provided to recipients.

	Infrastructure	Entitlements	Total
Active Investigations	7	0	7
Cumulative Convictions, Judgments, Settlements, Pleas	5	79	84
Total Monetary Loss Associated w/ Convictions, Judgments, Settlements, Pleas	\$114,021	\$291,391	\$405,412

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