

GAO

Report to the Chairwoman, Committee
on Agriculture, Nutrition, and Forestry,
U.S. Senate

March 2013

INSPECTORS GENERAL

USDA Office of Inspector General Resources, Accomplishments, Coverage, and Quality



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Accountability * Integrity * Reliability

Highlights of [GAO-13-245](#), a report to the Chairwoman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate

Why GAO Did This Study

The USDA OIG plays a critical role in addressing issues of economy, efficiency, and potential fraud involving scarce taxpayer dollars allocated to USDA.

GAO was asked to review a number of issues related to the OIG's operations in comparison to other cabinet-level OIGs. The objectives of this report were to provide information on the USDA OIG's (1) budget and staffing levels, (2) reported accomplishments, (3) reported oversight coverage, (4) reported quality of work, and (5) oversight of USDA's reported causes of estimated improper payments. To address these objectives, GAO obtained information over the 3-year period covering fiscal years 2009 through 2011 on the OIG's budget and staff levels and the reported monetary and nonmonetary accomplishments from this work. GAO obtained similar information reported by the OIGs in all cabinet-level departments. In addition, GAO summarized information on the USDA OIG's oversight coverage reported by audits and investigations, and the quality of the OIG's work as reported by peer reviews performed by other OIGs. Also, GAO obtained information on the OIG's audit of USDA's reporting on improper payments.

What GAO Recommends

GAO is not making specific recommendations in this report. The USDA Inspector General commented that the draft of this report provided an objective and comprehensive review of the OIG.

View [GAO-13-245](#). For more information, contact Beryl Davis at (202) 512-2623 or davisbh@gao.gov.

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What GAO Found

During the 3-year period from fiscal year 2009 through 2011, the U.S. Department of Agriculture (USDA) Office of Inspector General's (OIG) total budgetary resources decreased by about 8 percent. In contrast, the total budgetary resources for all other cabinet-level OIGs increased by approximately 6 percent over the 3-year period. The USDA OIG's authorized full-time equivalent staff (FTE) increased by 11 percent, from 550 to 608, while all other cabinet-level OIGs had a combined increase in authorized FTEs of about 14 percent during the same 3-year period.

The USDA OIG had an estimated average return on investment for each budgetary resource dollar received of \$13.96 during the 3-year period compared to the other cabinet-level OIGs' average return of \$12.63, based on the potential savings from monetary accomplishments reported by audits and investigations. Most of the USDA OIG's return was the result of approximately \$4 billion in potential savings resulting from a fiscal year 2011 audit of funds from the American Recovery and Reinvestment Act of 2009 for USDA programs.

Return on Investment by the USDA OIG Compared to That of Other Cabinet-Level OIGs for Fiscal Years 2009 through 2011

Fiscal year	USDA OIG's return on each budget dollar	Other cabinet-level OIGs' return on each budget dollar
2009	\$3.01	\$13.07
2010	1.70	11.86
2011	39.40	12.98
Average 3-year return	13.96	12.63

Source: GAO analysis of Office of Management and Budget information and OIG semiannual reports.

During the 3-year period the USDA OIG issued 212 audit reports and completed 878 investigations that provided oversight coverage for each of USDA's seven mission areas, high-risk areas identified by GAO, and the management challenges identified by the OIG.

With respect to quality, the OIG received peer reviews of its audit and investigative quality from external OIGs, which concluded that the OIG had controls in place to ensure that its audits were performed in accordance with professional auditing standards, and that the OIG's investigations followed applicable professional standards.

The OIG's audit of USDA's compliance with reporting requirements for improper payments included a review of the reported root causes. The audit concluded that because of the lack of clear instructions, USDA's component agencies did not consistently categorize the root causes of improper payments. As a result, the OIG concluded that USDA's reporting of the causes of the improper payments was not accurate. The OIG made recommendations, and USDA agreed to implement a second-party review process to help ensure accuracy, implement controls to ensure consistent categorizing of causes, and update guidance for determining the causes.

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Abbreviations

CFO	Chief Financial Officer
CIGIE	Council of Inspectors General on Integrity and Efficiency
FFAS	Farm and Foreign Agricultural Services
FISMA	Federal Information Security Management Act
FNCS	Food, Nutrition, and Consumer Services
FS	Forest Service
FSIS	Food Safety and Inspection Services
FTE	full-time equivalent staff
HUD	Department of Housing and Urban Development
IG Act	Inspector General Act of 1978, as amended
IPERA 2010	Improper Payments Elimination and Recovery Act of 2010
IPIA	Improper Payments Information Act of 2002
MRP	Marketing and Regulatory Programs
NRCS	Natural Resources Conservation Service
NRE	Natural Resources and Environment
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
QAR	Quality Assurance Review
RD	Rural Development
REE	Research, Education and Economics
SNAP	Supplemental Nutrition Assistance Program
USDA	U.S. Department of Agriculture

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Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

March 22, 2013

The Honorable Debbie Stabenow
Chairwoman
Committee on Agriculture, Nutrition, and Forestry
United States Senate

Dear Madam Chairwoman:

You raised questions regarding whether recent changes in funding provided to the U.S. Department of Agriculture (USDA) Office of Inspector General (OIG) may adversely affect the OIG's staffing levels and its ability to carry out its mission operations. This letter responds to your request for GAO to provide information on the efforts of the USDA OIG to provide oversight of the department's programs and activities during the most recent 3-year period for which data are available. Specifically, this report provides information on the USDA OIG's (1) budgets and staffing resources for fiscal years 2009 through 2011 in comparison with other cabinet-level OIGs; (2) reported monetary accomplishments for fiscal years 2009 through 2011 in comparison with other cabinet-level OIGs and the USDA OIG's reported nonmonetary accomplishments; (3) reported audit and investigative coverage of USDA's offices, programs, and operations for fiscal years 2009 through 2011; (4) quality of work based on recent external and internal reviews; and (5) reporting on the causes of improper payments identified by USDA.

Scope and Methodology

We used OIG data from fiscal years 2009 through 2011 because these were the most recent 3 fiscal years for which data were available as of the beginning of our engagement. To accumulate comparative information on budget and staffing resources, we obtained the total budgetary resources and staffing levels for the USDA OIG and for all other OIGs in the cabinet-level departments from the Office of

Management and Budget (OMB) for the same 3-year period from fiscal year 2009 through 2011.¹

To provide comparative information on results and accomplishments, we obtained the monetary accomplishments reported by the USDA OIG and the other cabinet-level OIGs in their semiannual reports for our 3-year period. We compared the reported dollar value of accomplishments to the total budgetary resources of each OIG to determine each OIG's return-on-investment for each budgetary resources dollar. In addition, we summarized selected audit and investigative accomplishments reported by the USDA OIG in semiannual reports over the same 3-year period. We also obtained the performance targets and results measured by the OIG to determine its own success in providing audits and investigations.

With respect to USDA OIG oversight coverage, we compared data on its audit and investigative results over our 3-year period with the American Recovery and Reinvestment Act of 2009 (Recovery Act) issues, its seven mission areas, areas of high risk, and areas designated as management challenges.² Specifically, we used the seven mission areas identified by USDA, the high-risk areas reported by us, and the management challenges reported by USDA in its annual performance and accountability reports (PAR).³ We then compared the accomplishments, including the number of audits, reported by the USDA OIG in semiannual reports over the 3-year period to USDA's mission areas, high-risk areas, and management challenges to provide perspective on the extent and nature of the OIG's oversight coverage.

¹The President's cabinet includes the Vice President and the heads of the 15 executive branch departments—the Secretaries of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Labor, State, Transportation, the Treasury, and Veterans Affairs and the Attorney General. The Department of the Treasury has two OIGs established by the Inspector General Act of 1978, as amended (IG Act). Specifically, in addition to the Treasury OIG, the department's Internal Revenue Service has its own Treasury Inspector General for Tax Administration. Consequently, there are 16 OIGs established by the IG Act in the 15 cabinet-level departments.

²Pub. L. No. 111-5, 123 Stat. 115 (Feb. 17, 2009).

³Reports Consolidation Act of 2000, Pub. L. No. 106-531, 114 Stat. 2537 (Nov. 22, 2000), codified at 31 U.S.C. § 3516-(d).

To provide information on the reported quality of the OIG's oversight, we obtained the results of the most recent external peer reviews of audit and investigative quality, and the results of the internal quality assessment reviews performed by the USDA OIG of its own operations for audits, investigations, and administrative activities for fiscal years 2009 through 2011. In addition, we obtained information on the OIG's quality assurance as part of its planning process for conducting audits and investigations, and on the performance measures used by the OIG to help ensure quality audits and investigations.

We also obtained information on the results of the OIG's audit of USDA's compliance with reporting requirements under The Improper Payments Elimination and Recovery Act of 2010 (IPERA 2010), including requirements for reporting on the causes of the agency's improper payments.⁴

We interviewed OIG officials at USDA headquarters responsible for planning, directing, and managing the OIG's operations to obtain information on resources, accomplishments, coverage and quality. We relied on the results of the OIG's peer reviews of audit and investigative quality to provide reasonable assurance of the reliability of the information in OIG reports. For information on the OIG's audit of improper payments, we interviewed staff members and reviewed the OIG's work papers to obtain supporting documentation for the conclusions and recommendations regarding USDA's reported root causes of improper payments. On the basis of these steps, we determined that the data were sufficiently reliable for the purposes of our review.

We conducted our work from June 2012 to March 2013 in accordance with all sections of GAO's Quality Assurance Framework that were relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this report.

We obtained comments on a draft of this report from the USDA Inspector General, which are reprinted in appendix II. We also received technical comments, which we have incorporated as appropriate.

⁴Pub. L. No. 111-204, 124 Stat. 2224 (July 22, 2010).

Background

The USDA OIG was administratively established in 1962 and statutorily established by the Inspector General Act of 1978, as amended, (IG Act) to provide independent audits and investigations of USDA's programs and operations; promote integrity, efficiency, and effectiveness; and detect and prevent fraud, waste, abuse, and mismanagement.⁵ The OIG's audits examine the economy and efficiency of USDA programs and operations, including program results, compliance with applicable laws and regulations, and fair presentation of financial reports. The USDA OIG is a member of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which was established by the Inspector General Reform Act of 2008 to address integrity, economy, and effectiveness issues that transcend individual government agencies; and to increase the professionalism and effectiveness of personnel in the OIGs.⁶

USDA is organized by seven mission areas, which are collections of agencies that work together to achieve strategic goals. (See app. I.) These mission areas provide leadership on addressing food, agricultural, and environmental issues; developing agricultural markets; fighting hunger and malnutrition; encouraging rural development; conserving natural resources; performing agricultural research; and ensuring standards of food quality through safeguards and inspections. In fiscal year 2011, USDA had about 100,000 employees and delivered public services through its more than 300 programs worldwide. USDA's mission areas and administrative offices accounted for USDA's total budgetary resources of approximately \$182 billion in fiscal year 2011.

OIG audits are required to be performed in accordance with *Government Auditing Standards* provided by the Comptroller General, which incorporate the professional standards set by the American Institute of Certified Public Accountants.⁷ While the majority of audit work is performed by OIG staff, the OIG also contracts with certified public accountants for some work and oversees the quality of work done by auditors under contract to other USDA agencies.

⁵Pub. L. No. 95-452, 92 Stat. 1101 (Oct. 12, 1978) (codified, as amended, at 5 U.S.C. App.).

⁶Pub. L. No. 110-409, 122 Stat. 4302 (Oct. 14, 2008).

⁷GAO, *Government Auditing Standards*, 2011 Revision, [GAO-12-331G](#) (Washington, D.C.: December 2011).

The OIG's investigations address criminal activities that affect the health and safety of the public as well as the integrity of USDA programs, such as meat-packers that knowingly sell hazardous food products and individuals who tamper with food regulated by USDA. In addition, the OIG's investigators provide an emergency law enforcement response to USDA-declared emergencies and suspected incidents of terrorism affecting USDA-regulated industries, as well as USDA programs, operations, personnel, and installations, in coordination with federal, state, and local law enforcement agencies, as appropriate.

The OIG's oversight of USDA's programs and mission areas is guided by a strategic plan that establishes five goals aligned with the goals of the department.⁸ These goals are to (1) strengthen USDA's ability to implement safety and security measures to protect the public health and agricultural and department resources, (2) reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to individuals, (3) support USDA in implementing its management improvement initiatives, (4) increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources, and (5) strive for a highly qualified diverse workforce with the tools and training necessary to continuously enhance the OIG's ability to fulfill its mission.

The OIG publishes an annual performance plan that sets specific targets for each of its performance measures for the coming fiscal year; lays out the audit, investigation, inspection, and management priorities for the year; and where appropriate, discusses the specific projects that will be performed and expected initiation dates. OIG investigative officials have stated that the majority of the OIG's investigative efforts are reactive. However, in an effort to be proactive, the investigative office solicits input from special agents in charge in the field and headquarters to identify trends, areas of interest, and ways to best allocate resources for achieving the OIG's strategic goals. Investigation's highest priorities are (1) the health and safety of the American public and USDA employees, (2) agricultural terrorism threats, and (3) the nation's food supply.

⁸USDA OIG, *Office of Inspector General Five-Year Strategic Plan, Fiscal Years 2010-2015* (Washington, D.C.: June 2010).

In addition, much of the OIG's work is directed by legislative mandates, such as the Recovery Act, which provided USDA about \$28 billion in funding involving a number of programs and increased the OIG's oversight responsibilities. The OIG's annual audit plans for fiscal years 2009 through 2011 were primarily directed at supporting the OIG's strategic plan, with the OIG's plans for fiscal years 2010 and 2011 including Recovery Act responsibilities.

Additional mandates include requirements under IPERA 2010, and for the USDA OIG to provide oversight of USDA's annual financial statements under the Chief Financial Officers Act of 1990 (CFO Act) and of information security under the Federal Information Security Management Act of 2002 (FISMA).⁹

Level of USDA OIG Budget and Staffing Resources Compared with Other Cabinet- Level OIGs

Budgetary Resources

The USDA OIG had total budgetary resources of about \$110 million in fiscal year 2011. In comparison with other cabinet-level OIGs for the same fiscal year, the USDA OIG's budgetary funding was less than eight other OIGs and greater than seven. (See table 1.) However, the USDA OIG had the largest decrease in total budgetary resources and was one of three OIGs that had a decrease from fiscal year 2009 to fiscal year 2011. Specifically, the USDA OIG's total budgetary resources decreased from about \$120 million in fiscal year 2009, to approximately \$110 million in fiscal year 2011, or about 8 percent. The other cabinet-level OIGs

⁹The CFO Act, Pub. L. No. 101-576, 104 Stat. 2838 (Nov. 15, 1990), requires USDA to issue annual financial statements that the OIG or an auditor selected by the OIG shall audit. See 31 U.S.C. §§ 3515 and 3521(e). FISMA, (Pub. L. No. 107-347, 116 Stat. 2899 (Dec. 17, 2002); see 44 U.S.C. § 101 note), requires the USDA OIG to annually evaluate USDA's information security programs and practices.

combined had an increase of about 6 percent in total budgetary resources during the same period.¹⁰

Table 1: Total Budgetary Resources of the USDA OIG in Comparison with Other Cabinet-Level OIGs for Fiscal Years 2009 through 2011

Dollars in millions

Cabinet-level OIGs	Fiscal year 2009	Fiscal year 2010	Fiscal year 2011	Percentage change, fiscal years 2009-2011
Department of Agriculture	\$120	\$121	\$110	(8)
1. Department of Health and Human Services	\$374	\$381	\$393	5
2. Department of Defense	302	320	330	9
3. Treasury Inspector General for Tax Administration	155	162	157	1
4. Department of Homeland Security	150	160	155	3
5. Department of Housing and Urban Development	142	146	144	1
6. Department of State	100	126	120	20
7. Department of Veterans Affairs	98	113	114	16
8. Department of the Treasury	98	106	112	14
9. Department of Justice	101	106	103	2
10. Department of Transportation	97	101	97	0
11. Department of Labor	89	90	87	(2)
12. Department of Energy	68	71	74	9
13. Department of Education	69	73	71	3
14. Department of the Interior	64	67	62	(3)
15. Department of Commerce	47	52	47	0
Totals for all other cabinet-level OIGs	\$1,954	\$2,074	\$2,066	6

Source: GAO analysis of OMB data.

Note: Other cabinet-level OIG offices are listed in order of the amount of their fiscal year 2011 total budgetary resources from the largest to the smallest. USDA OIG is listed separately.

¹⁰In 2010, a report by CIGIE on the efforts of the federal OIGs to support Recovery Act implementation indicated that each Cabinet-level department, including USDA, received additional appropriations for Recovery Act oversight. CIGIE, *Office of Inspectors General Efforts to Support Effective Implementation of the Recovery Act* (Washington, D.C.: July 10, 2010).

Staff Resources

The USDA OIG had budget authority for 608 full-time equivalent staff (FTE) during fiscal year 2011. Six other OIGs had more FTEs and nine had fewer for the same fiscal year. (See table 2.) The USDA OIG had an 11 percent increase in the number of FTEs from fiscal year 2009 to fiscal year 2011, compared to an overall increase of 14 percent for all other cabinet-level OIGs during the same 3-year period. USDA OIG officials reported that they were unable to staff all of the authorized FTEs and had 43 unfilled positions at the end of fiscal year 2011 because of budgetary constraints.

Table 2: Authorized FTEs of the USDA OIG in Comparison with Other Cabinet-Level OIGs for Fiscal Years 2009 through 2011

Cabinet-level OIGs	Fiscal year 2009	Fiscal year 2010	Fiscal year 2011	Percentage change, fiscal years 2009-2011
Department of Agriculture	550	593	608	11
1. Department of Health and Human Services	1,512	1,582	1,745	15
2. Department of Defense	1,514	1,587	1,613	7
3. Treasury Inspector General for Tax Administration	800	820	823	3
4. Department of Homeland Security	654	688	728	11
5. Department of Housing and Urban Development	638	684	712	12
6. Department of Veterans Affairs	509	553	633	24
7. Department of Justice	432	451	459	6
8. Department of Transportation	410	438	448	9
9. Department of Labor	389	420	411	6
10. Department of Education	277	304	324	17
11. Department of the Treasury	137	251	322	135
12. Department of State	202	291	293	45
13. Department of Energy	244	255	277	14
14. Department of the Interior	276	291	276	0
15. Department of Commerce	117	161	171	46
Totals for all other cabinet-level OIGs	8,111	8,776	9,235	14

Source: GAO analysis of OMB data.

Note: Other cabinet-level OIGs are listed in order of the total of their fiscal year 2011 FTEs from the largest to the smallest. USDA OIG is listed separately.

USDA OIG's Reported Monetary and Nonmonetary Accomplishments

The OIGs established by the IG Act, including the USDA OIG, are required to report specific monetary accomplishments in semiannual reports to the Congress. As required, the USDA OIG's semiannual reports for fiscal years 2009 through 2011 included the questioned costs, unsupported costs, and funds that could be put to better use identified by audits, and the monetary fines, fees, and court-ordered restitutions resulting from investigations.¹¹ In addition to monetary accomplishments, the OIG measures the extent to which its work focuses on the key issues under its goals by tracking nonmonetary outcomes of audits and investigations.

USDA OIG's Reported Monetary Accomplishments Compared to Other Cabinet-Level OIGs

The USDA OIG reported total monetary accomplishments from audits and investigations of approximately \$4.9 billion over fiscal years 2009 through 2011. (See table 3.) As a ratio of the OIG's total budgetary resources over the same 3-year period, the USDA OIG's estimated average return-on-investment for each budget dollar is about \$13.96. The USDA OIG had a wide range of return-on-investment over this 3-year period from \$1.70 in fiscal year 2010 to \$39.40 in fiscal year 2011. The significant increase of monetary accomplishments reported for fiscal year 2011 was due to an OIG audit of Recovery Act funds included in single family housing guaranteed loans by USDA's Rural Housing Service. The OIG's report concluded that loans with a total value of \$4.16 billion were made to ineligible borrowers. This amount was included in the OIG's reported questioned costs for fiscal year 2011.

¹¹As defined by the IG Act, questioned costs include either alleged violations of laws, regulations, contracts, grants, or agreements governing the expenditure of funds; costs not supported by adequate documentation; or the expenditure of funds that was unnecessary or unreasonable. In addition, unsupported costs are defined as costs that do not have adequate documentation, and funds to be put to better use are inefficiencies identified by the OIG in the use of agency funds.

Table 3: USDA OIG’s Estimated Average Return on Investment of Total Budgetary Resources Dollars for Fiscal Years 2009 through 2011

USDA OIG	Fiscal year 2009	Fiscal year 2010	Fiscal year 2011	Totals and average return
Total budgetary resources (dollars in millions)	\$120	\$121	\$110	\$351
Monetary accomplishments (dollars in millions)	361.70	205.80	4,333.80	4,901.37
Estimated average dollar return on each budgetary resource dollar received	3.01	1.70	39.40	13.96

Source: GAO analysis of the USDA OIG’s semiannual reports and OMB data.

By comparison, the estimated 3-year average return-on-investment for all other cabinet-level OIGs combined was \$12.63. (See table 4.) The USDA OIG’s estimated average return of \$13.96 was somewhat higher for this period. However, while the USDA OIG had a greater return-on-investment than the estimated average return for the other OIGs for fiscal year 2011, for fiscal years 2009 and 2010 the USDA OIG’s estimated return was lower than the combined estimated average return of the other cabinet-level OIGs for those same years. USDA OIG officials explained that monetary accomplishments for Recovery Act efforts were mostly reported in fiscal year 2011 and that their efforts in fiscal years 2009 and 2010 focused on audits to ensure that internal controls and procedures were in place for USDA to properly receive and distribute Recovery Act funds. In addition, the OIG provides audits of food safety and protection for land and water resources. According to OIG officials, while important to USDA’s mission and the welfare of the general public, these audits do not generally result in significant monetary accomplishments.

Table 4: Fifteen Cabinet-Level OIGs' Estimated Average Return on Investment of Total Budgetary Resources Dollars for Fiscal Years 2009 through 2011

Fifteen cabinet-level OIGs	Fiscal year 2009	Fiscal year 2010	Fiscal year 2011	Totals and average return
Total budgetary resources (dollars in billions)	\$1.954	\$2.074	\$2.066	\$6.094
Total monetary accomplishments (dollars in billions)	25.530	24.602	26.809	76.941
Estimated average dollar return on each budgetary resource dollar received	13.07	11.86	12.98	12.63

Source: GAO analysis of the OIGs' semiannual reports and OMB data.

Note: Data do not include those for the USDA OIG.

Nonmonetary Accomplishments

The OIG reported that it relied on several key metrics to measure its completion of targets for nonmonetary accomplishments, which include the percentage of (1) direct OIG resources dedicated to critical risk and high-impact work; (2) audit recommendations that resulted in management decisions within 1 year; (3) audits initiated that reported findings and recommendations to the auditee within established and agreed-to time frames; (4) closed investigations that resulted in a referral for action to the Department of Justice, state or local law enforcement officials, or the relevant administrative authority; and (5) closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result. (See table 5.) Additional targets are indirectly related to the outcomes of audits and investigations and include 15 related to timeliness, such as whether information technology staff members make an initial response to help desk requests within 2 hours or less; 6 related to the completion of Recovery Act work; 1 related to positive employee satisfaction rates reported in staff surveys; 1 related to survey results indicating that new employees find the orientation session useful to them as they begin their new jobs; and 1 related to positive evaluation scores on OIG internal training course evaluations.

Table 5: Examples of USDA OIG Performance Targets and Reported Actual Percentages Achieved for Fiscal Years 2009 through 2011

Performance measures	FY 2009 target	FY 2009 actual	FY 2010 target	FY 2010 actual	FY 2011 target	FY 2011 actual
OIG direct resources dedicated to critical-risk and high-impact work.	90%	95.3%	90%	91.8%	90%	97.2%
Audit recommendations resulting in management decision within 1 year of report issuance.	85%	88.8%	85%	90.2%	90%	90.1%
Mandatory and congressional, secretarial, and agency-requested audits completed within required or agreed-to time frames.	85%	100%	90%	100%	85%	100%
Percentage of closed investigations that resulted in a referral for action.	70%	74.6%	70%	84.8%	70%	82.5%
Percentage of closed investigations that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result.	65%	76.8%	65%	72.8%	65%	70.4%

Source: USDA OIG annual plans, fiscal years 2009 through 2011.

Legend: FY = fiscal year.

USDA OIG’s Reported Coverage of Recovery Act Issues, USDA’s Mission Areas, High-Risk Areas, and Management Challenges

The OIG reported issuing 212 audit reports during the 3-year period with 58 audits in 2009, 89 audits in 2010, and 65 audits in 2011. Of the 212 audit reports issued, 95, or about 45 percent, addressed mandated coverage of Recovery Act issues. (See table 6.) Additional mandated audits; audits requested by USDA, the Congress, and other agencies; and audits of funding for natural disaster relief totaled 77, or about 36 percent of the OIG’s audits. The OIG performed 40 audits, or about 19 percent, that addressed programs identified by the OIG’s strategic planning process for self-initiated audits.

Table 6: Sources of Initiation for USDA OIG Audits for Fiscal Years 2009 through 2011

Fiscal year	Recovery Act audits	Additional mandated audits	OIG self-initiated audits	Requested audits	Disaster relief audits ^a	Total audits
2009	19	15	13	8	3	58
2010	49	12	15	6	7	89
2011	27	17	12	5	4	65
Totals	95	44	40	19	14	212

Source: GAO analysis of USDA OIG's audit reports.

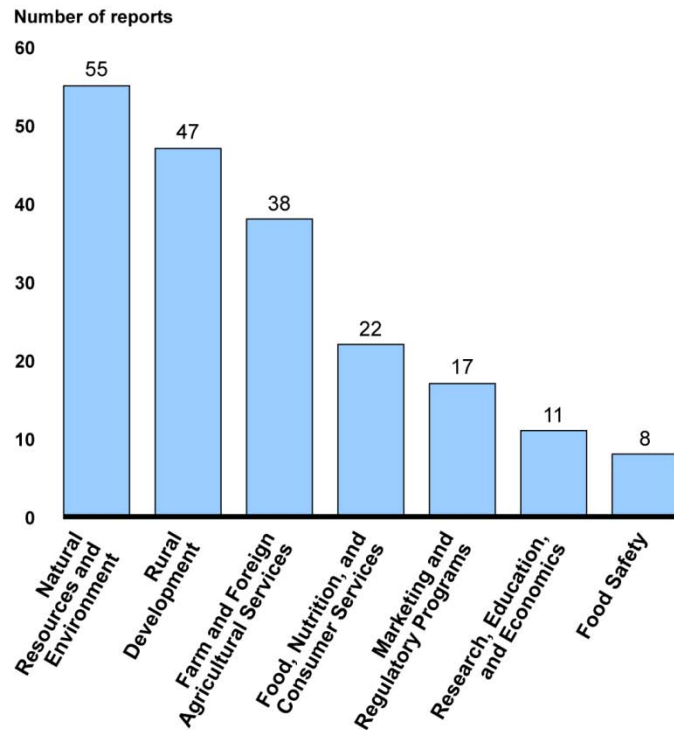
^aDisaster relief audits include mandatory audits of disaster relief funding and routine audits of USDA's disaster-related services.

Coverage of Recovery Act Issues and USDA Mission Areas

In fiscal year 2009, the USDA OIG received additional funding of \$22.5 million to be available through fiscal year 2013 for the oversight of the Recovery Act funds provided for USDA's programs. The OIG's Recovery Act audit efforts included mandates for OIG audits to determine whether (1) the implementation of USDA recovery-related programs was timely and effective; (2) proper internal control procedures were established; (3) program participants met eligibility guidelines; (4) participants complied with program requirements; (5) agencies established effective compliance operations; and (6) funds were awarded and distributed in a prompt, fair, and reasonable manner. These audits involved reviews of farm loans, watershed programs, supplemental nutrition assistance, wildland fire management, capital improvements and maintenance, and rural housing and development programs.

Also, during the 3-year period, the OIG addressed USDA's seven mission areas with nearly 200 audits, some of which addressed multiple areas, and through additional audits of USDA's financial statements required by the CFO Act, and information technology security audits required by FISMA. Almost half of the OIG's audits were in the mission areas of Natural Resources and Environment and Rural Development. (See fig. 1.) Specifically, the OIG issued a total of 102 audit products in these two mission areas, which included reviews of the efficiency and effectiveness of management and program operations during the 3-year period. These USDA missions received a relatively large number of audits as a result of the OIG's emphasis on the Recovery Act funds associated with their programs.

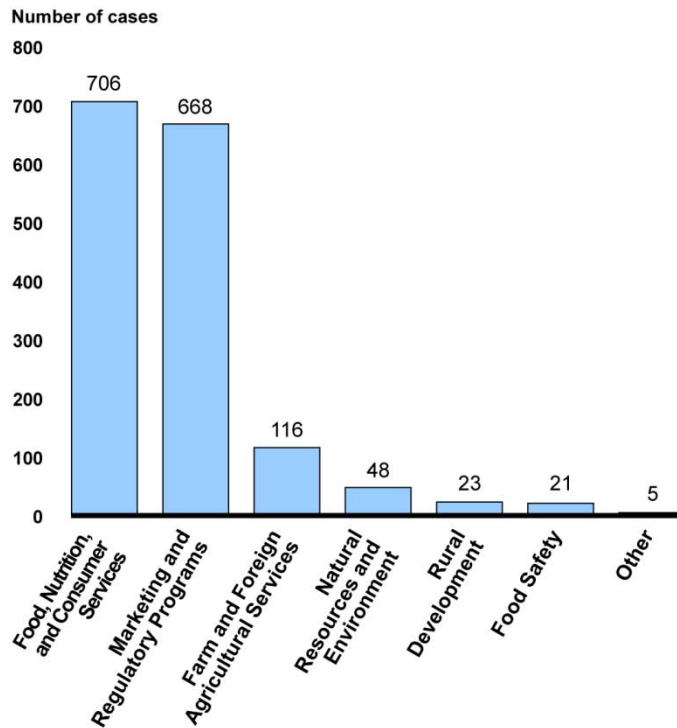
Figure 1: USDA OIG Audit Reports in USDA's Seven Mission Areas for Fiscal Years 2009 through 2011



Source: GAO analysis of USDA OIG's semiannual reports.

The USDA OIG reported investigations within each mission area and the identification of fraud within USDA's programs, prosecutions where warranted, and agency administrative action where necessary. The OIG reported completing a total of 878 investigative cases during the 3-year period with 292 investigations in fiscal year 2009, 247 in fiscal year 2010, and 339 in fiscal year 2011. In addition, during this 3-year period, the OIG's investigative activities resulted in 1,587 convictions. Most of these convictions were the result of investigations in Food, Nutrition, and Consumer Services (FNCS)—USDA's largest mission area in terms of total budgetary resources—with 706 convictions, mostly related to charges of fraud in the Supplemental Nutrition Assistance Program. Investigations of the Marketing and Regulatory Programs mission area resulted in 668 convictions, which, when combined with those in FNCS, accounted for about 86 percent of all convictions during the 3-year period. (See fig. 2.)

Figure 2: USDA OIG Investigative Cases with Convictions in USDA's Mission Areas for Fiscal Years 2009 through 2011



Source: USDA OIG semiannual reports, fiscal years 2009 through 2011.

Note: "Other" includes USDA's CFO Office and the Research, Education and Economics mission.

Coverage of High-Risk Areas and Management Challenges

The USDA OIG's audit reports show that coverage was provided of high-risk areas identified by GAO, and management challenges identified by the OIG for the 3-year period. Since 1990, we have reported on government operations designated as high risk because of their greater vulnerabilities to fraud, waste, abuse, and mismanagement. In addition, the OIGs began the identification of management challenges in 1997 at the request of congressional members who asked the inspectors general to identify the most serious management problems in their respective agencies. This began a yearly process that continues as a result of the Reports Consolidation Act of 2000.¹² The act requires executive agencies,

¹²Pub. L. No. 106-531, 114 Stat. 2537 (Nov. 22, 2000) (codified at 31 U.S.C. § 3516(d)).

including USDA, to include their OIGs' lists of significant management challenges along with their efforts to address them in the annual PAR reports to the President, OMB, and the Congress.

Our reports of government high-risk areas issued in February 2011 and January 2009, identified three high-risk areas at USDA, which were also included as management challenges identified by the USDA OIG. Specifically, both we and the OIG identified the protection of the federal government's information systems, strategic human capital issues, and food safety as both high-risk areas and management challenges. Another significant management challenge identified by the OIG was USDA's internal controls, which received the greatest amount of audit coverage (addressed by 123 audits). (See table 7.)¹³ The OIG's audits of Recovery Act funds, which was also a management challenge, addressed internal controls for Recovery Act funds and accounts for the relatively large number of internal control audits.

Table 7: USDA OIG Audit Coverage of High-Risk Areas and Management Challenges for Fiscal Years 2009 through 2011

GAO high-risk areas ^a	Management challenges ^b	USDA OIG reports			Total
		Fiscal year 2009 ^c	Fiscal year 2010 ^d	Fiscal year 2011 ^e	
	Interagency communications, coordination, and program integration	3	4	2	9
	Internal control systems	34	40	49	123
Protecting the federal government's information systems	Information technology and security	3	3	8	14
	Homeland security	0	3	0	3
	Civil rights control structure	0	0	0	0
	Global trade	1	0	1	2
Strategic human capital	National forests and fighting fires (personnel)	1	4	3	8
Federal oversight of food safety	Food safety	4	3	4	11
	Renewable energy programs	0	0	0	0
	Recovery act	19	49	27	95
	Improper payments	-	-	8	8

Source: GAO analysis of USDA OIG semiannual reports.

¹³The OIG audits that address more than one high-risk area or management challenge are listed more than once in table 7.

Note: Audits may have addressed more than one high-risk area or management challenge, therefore the number of total audits listed is greater than 212.

^aGAO, *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: February 2011), and *High-Risk Series: An Update*, [GAO-09-271](#) (Washington, D.C.: January 2009).

^bUSDA OIG, *Management Challenges* (Washington, D.C.: August 2009); *Management Challenges* (Washington, D.C.: August 2010); and *Management Challenges* (Washington, D.C.: August 2011).

^cUSDA OIG semiannual reports to the Congress for the period ending September 30, 2009.

^dUSDA OIG semiannual reports to the Congress for the period ending September 30, 2010.

^eUSDA OIG semiannual reports to the Congress for the period ending September 30, 2011.

The USDA OIG did not issue any audit reports related to civil rights issues during the 3-year period.¹⁴ However, we issued a report on civil rights in fiscal year 2009 along with follow-up testimony on USDA's progress in implementing the report's recommendations.¹⁵ We concluded that USDA had taken action in response to our report recommendations on civil rights. Also, the OIG did not issue any audit reports on renewable energy during fiscal years 2009 through 2011. However, the OIG issued a report on this management challenge in 2008.¹⁶ Also, in an additional report on USDA's management challenges, the OIG concluded that USDA had taken actions in response to its 2008 report and removed the management challenge during fiscal year 2011 based on the corrective actions taken by USDA.¹⁷

¹⁴The USDA OIG issued an audit report in August 2012, based on audit work conducted on civil rights cases closed from January 1, 2008, through March 31, 2011, which indicates that the OIG provided audit coverage of this area during the 3-year period. USDA OIG, *Review of the Office of the Assistant Secretary for Civil Rights' Oversight of Agreements Reached in Program Complaints*, 60601-0001-23 (Washington, D.C.: August 2012).

¹⁵GAO, *U.S. Department of Agriculture: Recommendations and Options to Address Management Deficiencies in the Office of the Assistant Secretary for Civil Rights*, [GAO-09-62](#) (Washington, D.C.: Oct. 22, 2008), and *U.S. Department of Agriculture: Recommendations and Options Available to the New Administration and Congress to Address Long-Standing Civil Rights Issues*, [GAO-09-650T](#) (Washington, D.C.: Apr. 29, 2009).

¹⁶USDA OIG, *Implementation of Renewable Energy Programs in USDA*, 50601-0013-Ch (Washington, D.C.: Aug. 14, 2008).

¹⁷USDA OIG, *USDA Management Challenges* (Washington, D.C.: Aug. 18, 2011).

USDA OIG Audit and Investigative Quality as Reported by External Peer Reviews and Quality Assurance Reviews

The USDA OIG received peer reviews of its audit and investigative quality during the 3-year period. In addition, the USDA OIG also helps to ensure compliance with auditing standards, investigative guidelines, and administrative procedures by periodically conducting its own internal quality assurance reviews (QAR) throughout its nationwide operations.

Audit Quality

Government Auditing Standards requires that each audit organization performing audits in accordance with these standards must have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years. The USDA OIG Office of Audit obtained an external peer review by the Department of Housing and Urban Development's (HUD) OIG for the 3-year period ending March 31, 2009. The HUD OIG's report concluded that the USDA OIG was able to provide reasonable assurance that controls were in place to provide audit reports that were in compliance with *Government Auditing Standards*.

The OIG also completed five QARs of its audit operations during fiscal years 2009 through 2011. These reviews are designed to assess whether the OIG carries out its work in accordance with established USDA OIG policies and procedures, *Government Auditing Standards*, applicable OMB guidance, and appropriate statutory provisions applicable to the OIG. The QARs made recommendations for improved audit documentation and the offices reviewed concurred with the recommendations and took corrective actions.

Investigative Quality

The USDA OIG undergoes a review of its law enforcement powers used in its investigative operations.¹⁸ CIGIE has provided guidelines for external peer reviews of the OIG's investigative operations, which are to occur once every 3 years.¹⁹ The peer reviews are intended to provide the OIG with an independent opinion on the investigative quality control system, whether the system is in place and operating effectively, and whether the OIG's policies and applicable CIGIE standards are being followed. The OIG Office of Investigations received an external peer review by the Department of Homeland Security OIG in 2010, which concluded that the USDA OIG's system of internal safeguards and management procedures were in compliance with the quality standards established by CIGIE and applicable Attorney General guidelines.

The USDA OIG also conducts QARs of its investigative operations. The purpose of the OIG QARs for Investigations is to determine if its investigative offices are operating in accordance with the IG Act, CIGIE's *Quality Standards for Investigations*, and USDA OIG policies and procedures. The internal QARs for Investigations involve reviews of both closed case files and internal controls over investigative procedures. The USDA OIG completed four QARs of its investigative offices during fiscal years 2009 through 2011. The QARs concluded that the offices reviewed met professional standards and that corrective actions on recommendations from prior QARs had been implemented.

Administrative Quality

In addition, the OIG reported that it performs QARs to determine whether its offices are in compliance with USDA and OIG administrative policies and procedures for travel, procurement management, purchase cards, budgets, time management, and property management. The OIG completed four administrative QARs and two reviews of internal controls during fiscal years 2009 through 2011, and made recommendations for improved administrative procedures over routine expenditures. The

¹⁸Homeland Security Act of 2002, Pub. L. No 107-296, § 812, 116 Stat. 2135, 2223 (Nov. 25, 2002) requires a peer review for those OIGs who obtain statutory law enforcement authority under its provisions. However, USDA OIG obtained its law enforcement authority in 1981 pursuant to a separate statute (see 7 U.S.C. § 2270, Pub. L. No. 97-98 (December 22, 1981)) and undergoes a peer review pursuant to CIGIE guidelines.

¹⁹CIGIE, *Qualitative Assessment Review Guidelines for Investigative Operations of Federal Offices of Inspectors General* (Washington, D.C.: December 2011).

offices reviewed concurred with the recommendations and took corrective actions.

OIG Oversight of Improper Payments Reporting

The Improper Payments Information Act of 2002 (IPIA) required executive branch agencies, including USDA, to conduct an annual review of all programs and activities to identify those that are susceptible to significant improper payments, estimate the amount of improper payments for such programs and activities, and report these estimates along with actions taken to reduce improper payments for those programs and activities with estimates exceeding \$10 million.²⁰ IPERA 2010 amended IPIA by expanding on the previous requirements for identifying, estimating, and reporting on programs and activities susceptible to significant improper payments and expanding requirements for recovering overpayments. Another IPERA 2010 provision calls for the inspectors general, including the USDA OIG, to annually determine whether their respective agencies are in compliance with key IPERA 2010 requirements and to report on their determinations.²¹

OMB issued additional guidance to federal agencies to report, beginning for fiscal year 2011, the root causes of improper (over and under) payments for all programs susceptible to significant improper payments.²² The guidance defined three categories of root causes for improper payments: (1) documentation and administrative errors, (2) authentication

²⁰Pub. L. No. 107-300, 116 Stat. 2350 (Nov. 26, 2002).

²¹See 31 U.S.C. § 3321 note. Further, the Improper Payments Elimination and Recovery Improvement Act of 2012, requires the OIGs to provide additional assessments and provide recommendations to improve improper payments determinations and estimation methodology for certain high-priority programs.

²²OMB, *Issuance of Part III to OMB Circular A-123, Appendix C*, OMB Memorandum M-10-13 (Mar. 22, 2010).

and medical necessity errors, and (3) verification errors.²³ Agencies are required to report the percentage of errors in each category proportional to the dollar amount of error attributable to that root cause. This information is covered by part of the OIG's annual review of USDA's improper payments reporting.

The USDA reported in its fiscal year 2011 PAR that 16 of its more than 300 programs were considered vulnerable to significant improper payments because each had estimated improper payments that were a material proportion of program outlays. In addition, USDA reported that 2 percent of the errors causing improper payments were due to documentation and administrative errors, 1 percent were due to authentication and medical necessity errors, and 97 percent were due to verification errors. Also, in detailed reporting of errors causing improper payments, USDA reported that of the approximately \$5.4 billion in improper payments estimated in fiscal year 2011, 0.04 percent (or \$2.2 million) were due to incomplete paperwork (documentation) in the programs reporting significant improper payments.

The OIG's 2012 audit report on USDA's fiscal year 2011 compliance with improper payment reporting requirements concluded, among other things, that USDA's component agencies did not consistently assign the appropriate error category when reporting the causes of improper payments and that as a result, USDA's reported amount of improper payments caused by documentation errors was not accurate.²⁴ USDA

²³OMB defines these error types as follows: documentation and administrative errors are errors caused by the absence of supporting documentation necessary to verify the accuracy of a payment or errors caused by incorrect inputting, classifying, or processing of applications or payments by a relevant federal agency, state agency, or third party that is not the beneficiary; authentication and medical necessity errors are those errors caused by an inability to authenticate eligibility criteria through third-party databases or other resources because no databases or other resources exist, or providing a service that was not medically necessary given the patient's condition; and verification errors are errors caused by the failure or inability to verify recipient information, including earnings, income, assets, or work status, even though verifying information does exist in third-party databases or other resources (in this situation, as contrasted with "authentication" errors, the "inability" to verify may arise because of legal or other restrictions that effectively deny access to an existing database or resource), or errors caused by beneficiaries failing to report correct information to an agency.

²⁴USDA OIG, *U.S. Department of Agriculture, Fiscal Year 2011 Improper Payments Elimination and Recovery Act of 2010 Compliance Review*, 50024-0001-11 (Washington, D.C.: March 2012).

officials acknowledged that USDA component agencies struggled to properly categorize the root causes of improper payments into the causal categories required by OMB. They also concurred with the OIG's report recommendations to (1) implement a second-party quality review process to ensure that improper payment information reported in the PAR is properly supported, (2) implement controls to ensure that the USDA agencies consistently and accurately categorize improper payment errors, and (3) update USDA guidance for determining the cause of an error to include specific examples related to USDA programs. In addition, USDA officials stated that they will work with component USDA agency officials to develop a plan to better understand and consistently categorize the root causes of USDA's improper payments. The OIG plans to follow up on USDA's actions to better categorize the root causes of improper payments for future reports.

Agency Comments

In written comments on a draft of this report, which are reprinted in appendix II, the USDA Inspector General stated that the report provides an objective and comprehensive view of the office's oversight of USDA's programs. The Inspector General also provided technical comments, which we considered and incorporated as appropriate.

We are sending copies of this report to the U.S. Department of Agriculture's Inspector General and interested congressional committees. In addition, this report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2623 or davisbh@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report are listed in appendix III.

Sincerely yours,

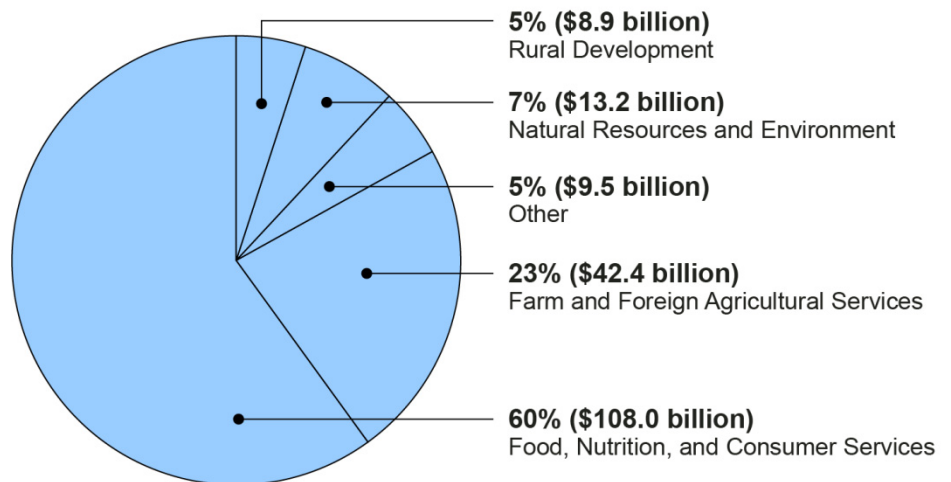


Beryl H. Davis
Director
Financial Management and Assurance

Appendix I: USDA's Mission Areas

The largest U.S. Department of Agriculture (USDA) mission area is Food, Nutrition, and Consumer Services (FNCS) with a total fiscal year 2011 budget of about \$108 billion, or approximately 60 percent of USDA's total budgetary resources. (See fig. 3.) The FNCS mission is to manage the nation's agricultural resources to help end hunger and improve the health of the nation. Its component agencies include the Center for Nutrition Policy and Promotion and the Food and Nutrition Service (FNS), which administer federal domestic nutrition programs such as the Supplemental Nutrition Assistance Program (SNAP). Formerly known as the food stamp program, SNAP provides assistance to families in need and is the nation's first line of defense against hunger.

Figure 3: Total Budgetary Resources for USDA's Mission Areas Fiscal Year 2011



Source: GAO analysis of OMB data.

Note: "Other" includes three mission areas—Research, Education and Economics; Marketing and Regulatory Programs; and Food Safety and Inspection Service—and administrative offices, such as executive operations and the Office of Inspector General.

USDA's second largest mission area is the Farm and Foreign Agricultural Services (FFAS) mission, with fiscal year 2011 total budgetary resources of approximately \$42.4 billion, or about 23 percent of USDA's overall budget. The FFAS mission is responsible for keeping America's farmers and ranchers in business through the uncertainties of weather and markets. Its component agencies include the Farm Service Agency, Foreign Agricultural Services, and the Risk Management Agency, which provide commodity, credit, conservation, disaster, and emergency assistance for the agricultural economy.

The Natural Resources and Environment (NRE) mission received total fiscal year 2011 budgetary resources of about \$13.2 billion, or about 7 percent of USDA's total budget. Component agencies include the Forest Service (FS) and the Natural Resources Conservation Service (NRCS), which participate in the overall NRE mission to help ensure the health of the land through sustainable management. FS and NRCS work to prevent damage to natural resources and the environment and promote good land management.

The Rural Development (RD) mission had total budgetary resources of about \$8.9 billion in fiscal year 2011, or about 5 percent of USDA's total budget. The RD mission is to help improve the economy and quality of life in all of rural America by providing financial programs to support essential public facilities and services such as water, sewer, electric, and telephone systems; housing; health clinics; and emergency service facilities. The RD mission promotes economic development by providing loans to businesses through banks, credit unions and community-managed lending pools.

Other USDA mission areas and administrative offices received about \$9.5 billion, or approximately 5 percent of USDA's total budgetary resources. These mission areas are Research, Education and Economics (REE), Marketing and Regulatory Programs (MRP), and the Food and Safety Inspection Service (FSIS). The REE mission had fiscal year 2011 total budgetary resources of approximately \$3.3 billion, and includes several agencies that are dedicated to creating a safe, sustainable, and competitive food and fiber system, as well as building strong communities and families. The MRP mission had fiscal year 2011 total budgetary resources of about \$3.3 billion. This mission facilitates domestic and international marketing of U.S. agricultural products and ensures the health and care of animals and plants. The FSIS mission is responsible for ensuring that the nation's commercial supply of meat, poultry and egg products is safe, wholesome, and in properly labeled packages. The FSIS mission had fiscal year 2011 total budgetary resources of about \$1.2 billion. In addition, USDA's administrative offices are not mission specific and received about \$1.7 billion in total budgetary resources. These offices include USDA's management and executive operations, the Office of the Chief Economist, and the Office of Inspector General.

Appendix II: Comments from the USDA Office of Inspector General



UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington D.C. 20250



MAR 14 2013

Ms. Beryl H. Davis
Director
Financial Management and Assurance
U.S. Government Accountability Office
Washington, D.C. 20548

Dear Ms. Davis:

Thank you for the opportunity to review and provide comments on the Government Accountability Office (GAO) draft report, *Inspectors General: USDA Office of Inspector General Resources, Accomplishments, Coverage, and Quality*, GAO-13-245.

The report provides an objective and comprehensive view of the work of the U.S. Department of Agriculture (USDA) Office of Inspector General (OIG) for the 3-year period ending in fiscal year 2011. We believe your work will contribute to a better understanding of OIG's efforts to provide effective oversight to USDA's wide-ranging portfolio of programs that touch every American. Your analysis shows that our return on investment during this period was higher than the average return of other Cabinet-level OIGs, despite a decline in our budgetary resources compared to an increase of funds for other Cabinet-level OIGs. Perhaps equally important, your report recognizes the priority we place on food safety, public health, and protection of natural resources even though our work in these areas does not generally result in monetary accomplishments. Finally, we are pleased that the report contains no recommendations for corrective action.

We deeply appreciate the professionalism and courtesy demonstrated by your staff during the course of this review. They have addressed our technical comments and provided timely responses. As a result of this productive dialogue, we will bring a renewed focus to our planning and management processes, to ensure that OIG continues to function as effectively as possible. Should you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Phyllis K. Fong".

Phyllis K. Fong
Inspector General

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Beryl H. Davis, (202) 512-2623 or davisbh@gao.gov

Staff Acknowledgments

In addition to the contact named above, Jackson Hufnagle (Assistant Director), Jacquelyn Hamilton, Taya Tasse, and Clarence Whitt made key contributions to this report.

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