

Preliminary OIG Plan
Oversight of USDA Disaster Funding
(As of April 26, 2013)

Introduction -

USDA OIG received \$5 million (to remain available until expended) under the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Public Law 110–329, September 30, 2008) for oversight of disaster- and emergency-related funding specifically funded through that Act. As of February 2013, OIG had approximately \$2.3 million of the \$5 million remaining.

The Disaster Relief Appropriations Act, 2013 (PL 113-2, January 29, 2013), contained language authorizing OIG to use any unobligated disaster assistance oversight funds provided in PL 110-329 for continued oversight of Department of Agriculture disaster- and emergency-related activities. This Act also provided the following supplemental appropriations for USDA programs, to be used as described below:¹

- \$23 million for Farm Service Agency’s (FSA) Emergency Forest Restoration Program (EFRP) specifically within counties affected by Hurricane Sandy;²
- \$15 million for FSA’s Emergency Conservation Program (ECP) specifically within counties affected by Hurricane Sandy;
- \$180 million for Natural Resources Conservation Service’s (NRCS) Emergency Watershed Protection Program (EWP) specifically within counties affected by Hurricane Sandy;
- \$6 million for Food and Nutrition Service’s (FNS) Commodity Assistance Program to be used to assist families and individuals displaced by Hurricane Sandy; and
- \$4.4 million for Forest Service Capital Improvement and Maintenance for necessary expenses related to the consequences of Hurricane Sandy.

In addition to the above appropriated funds, from fiscal year (FY) 2011 to January 2013 FSA spent approximately \$3.7 billion in various disaster assistance programs, NRCS spent \$226 million in EWP, and FNS spent \$433 million for Disaster Supplemental Nutrition Assistance Program (D-SNAP) and the Disaster Assistance and Disaster Feeding Program.

We have developed a number of actions to enable us to provide timely and effective oversight of USDA Disaster Assistance programs, including those funded through regular appropriations, Hurricane Sandy supplemental appropriations, and any other supplemental disaster appropriations. This plan may be adjusted as we perform our oversight activities.

¹ USDA OIG was not provided any additional appropriations in PL 113-2 for oversight of the Hurricane Sandy supplemental appropriations.

² Around 200 counties in 12 States (Connecticut, Delaware, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Virginia, and West Virginia) and the District of Columbia received the Stafford disaster declaration as a result of Hurricane Sandy.

In addition, we will periodically report to the Recovery Accountability and Transparency Board (Recovery Board) on our audit and investigative work pertaining specifically to Hurricane Sandy Disaster Relief and will complete any future reporting requirements as appropriate.

Audit Strategy -

The overall objectives of our audit plan for USDA disaster assistance are to ensure the following:

- USDA funds for disaster assistance are timely, effectively, and appropriately used;
- adequate and proper internal control procedures are established, including any additional internal controls required by the Office of Management and Budget (OMB) for disaster assistance;³
- program participants meet eligibility guidelines;
- participants properly comply with program requirements; and
- agencies establish effective compliance operations.

Audit work will be performed to:

- Complete a risk analysis, based on the criteria described below, of agencies and programs that provide disaster assistance to identify and prioritize those which warrant audit coverage.
- Evaluate the implementation of prior audit recommendations for the selected agencies and programs.
- Monitor USDA's implementation and compliance with the internal control plan, required by OMB, over disaster related activities.
- Evaluate internal control systems utilized by the selected programs to ensure program objectives are achieved, program participants fully meet eligibility requirements, and payments are accurately computed.
- Test the internal controls of the selected programs to ensure they are functioning as intended to ensure program objectives are achieved, program participants fully meet eligibility requirements, and payments are accurately computed. We may use statistical sampling to evaluate program delivery and compliance.

Agency/Program Risk Analysis:

To plan our audit work, we conducted a risk analysis of the programs which provide disaster assistance (detailed in Attachment 1). We considered the following items:

³ The Disaster Relief Appropriations Act requires Federal agencies supporting Hurricane Sandy recovery and other disaster-related activities to implement additional internal controls to prevent waste, fraud, and abuse of these funds. By March 31, 2013, each Federal agency is required to submit an internal control plan to OMB, GAO, and the agency's Inspector General. GAO will review the plans by June 30, 2013 and beginning on September 30, 2013, each agency head shall make an annual certification that the appropriate policies and controls are in place and that any corrective actions have been taken to mitigate the risk of fraud and inappropriate spending practices regarding activities and expenses related to Hurricane Sandy. See §904 of the Act. See also OMB Memorandum for the Heads of Executive Departments and Agencies, M-13-07, March 12, 2013.

- Dollar value of disaster funding for the program (materiality)
- Error rate/improper payment data/default rate associated with regular funding
- Timing of disbursements (will funding be processed quickly to recipients or extended over a period of time)
- Agency implementation of new or enhanced controls or control structure specifically for disaster funding
- Prior audit history/recent work in the program area, including American Recovery and Reinvestment Act work (see Attachment 2)
- Number of open recommendations in the program area and how long the recommendations have been outstanding
- Whether the open recommendations address issues or controls that make the program more susceptible to improper payments or fraud
- Any known fraud or assessment of high susceptibility for fraud in the program receiving disaster funding

Review of Prior OIG and GAO Audit Reports:

We will review the recommendations from prior audits of selected disaster programs identified by the risk analysis to identify those recommendations that have not yet been agreed to or have not been implemented and determine their status. We will also review corrective actions to evaluate their effectiveness in correcting previously identified weaknesses. Using the information we find, we will follow up with the relevant agencies and advise them on corrective actions that we believe must be implemented in order to have effective controls on disaster expenditures.

Monitor USDA's Disaster Assistance Internal Control Plan

We will obtain and review USDA's internal control plan, required by OMB, over disaster-related activities. During our field work, we will perform testing to evaluate the agencies' implementation and compliance with USDA's internal control plan.

Investigations Strategy -

The overall objective of our investigative efforts is to ensure the integrity of USDA programs receiving supplemental funding to assist with disaster and emergency related activities including the most recent disaster, Hurricane Sandy, through: (1) timely identifying potential fraud within those programs; (2) swiftly and efficiently investigating potential fraud; (3) prosecuting where warranted; and (4) seeking agency administrative action where necessary.

More specifically, investigative work will be performed to:

- Identify and investigate potentially fraudulent activity occurring within the USDA agency programs receiving disaster and emergency related funding.

- Coordinate with the U.S. Attorney's Offices and States Attorney General Offices to prosecute violators, and seek asset forfeiture when appropriate.
- Seek administrative sanctions, including suspension and debarment.

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

- (1) We will continue active participation on various task forces at the national and regional levels to identify potential fraud and work collaboratively with other Federal and State investigators and prosecutors. Additionally, we will coordinate with the Recovery Board regarding any referrals we may receive from them.
- (2) Within USDA, we will continue liaison activities with various USDA agencies to assist in identifying potentially fraudulent activities and coordinate with USDA agency compliance and investigations units to identify and jointly investigate cases as appropriate.
- (3) We will monitor the OIG hotline as a source of information. We will modify the hotline system to allow us to separately identify, track, and report on complaints regarding fraud specifically related to Hurricane Sandy as well as other disasters as appropriate.
- (4) We will assess hotline complaints received, referrals made by USDA agencies, and any potential fraud identified in our audit reports; and we will open criminal investigations where appropriate related to any USDA programs which receive disaster and emergency funding.
- (5) Based on our experience and the nature of the funding, we expect that there may be a delay between when the money is dispensed and when the allegations of fraud begin to be reported. Typically we expect our cases to involve false statements or false certifications to obtain the monies and false documents submitted for reimbursement from a USDA agency.
- (6) We will seek to ensure action is taken as the result of our completed investigations to include criminal and/or civil prosecution, asset forfeiture where warranted, and agency administrative sanctions such as suspension and debarment.

Investigative Reporting: Investigative reports will be issued upon completion of an investigation or as requested by the U.S. Attorney's Office or State Attorney General's Office. We will coordinate with agency managers in situations where suspension and debarment proceedings are appropriate to ensure that immediate action is taken.

Attachment 1: List of Disaster Programs by Agency with Program Detail

The following agencies provide disaster-related assistance through the following programs:

Farm Service Agency (FSA)

Emergency Conservation Program (ECP)

ECP provides emergency funding and technical assistance for farmers and ranchers to rehabilitate farmland damaged by natural disasters and to carry out emergency water conservation measures in periods of severe drought. ECP program participants normally may receive up to 75 percent of the cost to implement approved ECP practices, as determined by the FSA county committees. There is a maximum payment of \$200,000 per person, per disaster. In addition to the \$15 million provided through the Hurricane Sandy disaster legislation, \$114 million has been expended through the ECP program from FY 2011 through January 2013.

Emergency Forest Restoration Program (EFRP)

EFRP provides payments to eligible nonindustrial private forest (NIPF) land owners to carry out emergency restoration practices on land damaged by a natural disaster. County FSA committees determine land eligibility using onsite damage inspections that assess the type and extent of damage. EFRP was not implemented until 2010. OIG has not conducted any prior audits of EFRP. From FY 2011 through January 2013, FSA made \$4 million in EFRP payments. In addition, the Hurricane Sandy disaster legislation provided \$23 million for EFRP.

Noninsured Crop Disaster Assistance Program (NAP)

NAP provides financial assistance to producers of non-insurable crops when low yields, loss of inventory, or prevented planting occur due to a natural disaster. An eligible producer is a landowner, tenant, or sharecropper who shares in the risk of producing an eligible crop and is entitled to an ownership share of that crop. From FY 2011 to January 2013, FSA made nearly \$493 million in NAP payments.

Tree Assistance Program (TAP)

TAP provides financial assistance to qualifying orchardists and nursery tree growers to replant or rehabilitate eligible trees, bushes, and vines damaged by natural disasters. Eligible trees, bushes, and vines are those from which an annual crop is produced for commercial purposes. Nursery trees include ornamental, fruit, nut, and Christmas trees produced for commercial sale. Trees used for pulp or timber are ineligible. From FY 2011 through January 2013, FSA made \$11 million in TAP payments.

Supplemental Revenue Assistance Payments Program (SURE)

SURE Program provides agricultural disaster assistance to producers who suffered qualifying crop production losses, crop quality losses, or both, due to disasters, adverse weather, or other environmental conditions. From FY 2011 through January 2013, FSA made nearly \$2.4 billion in SURE payments. The SURE program has expired and was not one of the Farm Bill programs renewed under the Taxpayer Relief Act of 2012.

Emergency Assistance for Livestock, Honeybees, and Farm Raised Fish (ELAP)

ELAP provides emergency assistance to eligible producers of livestock, honeybees, and farm-raised fish that have losses due to disease, adverse weather, or other conditions. The program is for losses not covered under the LFP, LIP, and SURE programs. To be eligible for program payments, with few exceptions, eligible producers on a farm must have purchased insurance for each insurable commodity. From FY 2011 through January 2013, FSA made \$11 million in ELAP payments.

Livestock Forage Disaster Program (LFP)

LFP provides financial assistance to livestock producers who suffered grazing losses due to drought or fire. For drought, the losses must be due to qualifying drought conditions during the normal grazing period for the county on land that is native or improved pastureland with permanent vegetative cover or is planted specifically for grazing covered livestock. For fire, LFP provides payments to eligible livestock producers who have suffered grazing losses on range land managed by a Federal agency, if the eligible livestock producer is prohibited by the Federal agency from grazing the normal permitted livestock on the managed range land because of a qualifying fire. Based on expenditures and excluding SURE, LFP is the largest disaster program FSA operated from FY 2011 to January 2013, spending nearly \$575 million.

Livestock Indemnity Program (LIP)

LIP provides benefits to livestock producers for livestock deaths in excess of normal mortality caused by adverse weather, including losses because of hurricanes, floods, blizzards, disease, wildfires, extreme heat, and extreme cold. The livestock death losses must also have occurred in the calendar year for which benefits are being requested. From FY 2011 through January 2013, FSA made \$55 million in LIP payments.

Emergency Loan Program

FSA provides emergency loans to help producers recover from production and physical losses due to drought, flooding, other natural disasters, or quarantine. Our prior audit work identified concerns with duplication of benefits. In FY 2013, as of January 2013, 175 emergency loans have been made totaling \$15 million.

Food and Nutrition Service (FNS)

Disaster Supplemental Nutrition Assistance Program (D-SNAP)

D-SNAP provides replacement benefits for regular food stamp recipients who lose food in a disaster and extends benefits to many households which would not ordinarily be eligible but suddenly need food assistance. The benefits are delivered via Electronic Benefit Transfer (EBT) cards, which can expedite and mainstream the relief process for victims. FNS provided \$428 million through D-SNAP from FY 2011 through January 2013. The top three States for D-SNAP are as follows: Alabama - \$124.2 million; Louisiana - \$122.5 million; and North Carolina - \$44 million. In FY 2013, only two States have received D-SNAP funds: New York - \$4 million and West Virginia - \$2 million. FNS has determined that the improper payment rate in regular SNAP program eligibility determinations was 3.8% in FY 2012. In addition, FNS

estimated that 1% of regular SNAP benefits are trafficked (exchanged for cash or ineligible products) in the redemption process.

Commodity Assistance Program

The Disaster Relief Appropriations Act, 2013 provided \$6 million for the Commodity Assistance Program (CAP). CAP is a term used by appropriators to refer to a variety of domestic programs receiving food in the form of USDA-supplied commodities. The term was formalized for the first time in FY1996 appropriations law (P.L. 104-37, October 21, 1995) to refer to the consolidation for funding purposes of three commodity donation programs that are authorized under two separate statutes: The Emergency Food Assistance Program (TEFAP), Soup Kitchen-Food Bank Program, and the Commodity Supplemental Food Program (CSFP).

Disaster Assistance and Disaster Feeding Program

FNS also provided \$5 million worth of commodities through the Disaster Assistance and Disaster Feeding Program in FY 2011 and FY 2012 (no commodities have been provided in FY 2013 as of January 2013).

Forest Service

The Disaster Relief Appropriations Act, 2013 provided \$4.4 million for Forest Service Capital Improvement and Maintenance for necessary expenses related to the consequences of Hurricane Sandy.

Natural Resources Conservation Service (NRCS)

Emergency Watershed Protection Program (EWP)

EWP is designed to help project sponsors and individuals implement emergency recovery measures to relieve imminent hazards to life and property created by a natural disaster that causes a sudden impairment of a watershed. In addition to the \$180 million provided through the Hurricane Sandy disaster legislation for EWP, NRCS also received \$215 million in supplemental disaster appropriations in January 2012. Further, in April 2011 and November 2012, NRCS made an additional \$6 million and \$5.3 million available for EWP out of its regular appropriation. From FY 2011 through November 2012, the top three States receiving EWP funding are: Utah - \$60 million, New York - \$38 million, and Missouri - \$36 million.

Rural Development

Rural Development has provided disaster assistance through its Rural Housing Service, Rural Business-Cooperative Service, and Rural Utilities Service agencies. From FY 2011 through January 2013, Rural Development obligated approximately \$78.3 million in disaster assistance. For Rural Development, all programs receiving disaster funds had their internal controls audited in the Recovery Act audits except for Multi-Family Housing (MFH). From FY 2011 through January 2013, MFH obligated \$4.4 million in disaster assistance. The internal controls for the Rural Development programs have not changed substantially since their prior audit coverage.

Attachment 2: Prior Audit History, by Agency

Farm Service Agency (FSA)

AUDIT REPORTS ISSUED (sorted by issuance date)		
Audit No.	Audit Title	Report Issuance Date
50703-0001-31	Recovery Act Supplemental Revenue Assistance Payments Program	March 12, 2012
50601-0016-KC	Emergency Disaster Assistance for 2008 Floods: Emergency Conservation Program	March 31, 2011
03702-0001-Te	Emergency Disaster Assistance for the 2008 Natural Disasters: Emergency Conservation Program (ECP)	September 30, 2010
03601-0013-SF	Emergency Loan Reductions	December 15, 2009
03601-0023-KC	Hurricane Relief Initiatives - Livestock and Feed Indemnity Programs	February 2, 2009
03601-0024-KC	Hurricane Relief Initiative - Emergency Forestry Conservation Reserve Program	September 17, 2008
03601-0013-At	Hurricane Relief Initiative – Tree Indemnity Program	March 10, 2008
03601-0027-KC	FSA’s Hurricane Relief Initiative: Emergency Conservation Program	February 26, 2008
03601-0048-Te	2005 Hurricane Initiatives: Aquaculture Grants to States	October 18, 2007
03601-0022-KC	Hurricane Relief Initiatives: Emergency and Alternative Grain Storage	March 20, 2007
03601-0021-KC	Hurricane Relief Initiatives: Barge Movement and Transportation Differential Agreements	March 20, 2007

Food and Nutrition Service (FNS)

AUDIT REPORTS ISSUED (sorted by issuance date)		
Audit No.	Audit Title	Report Issuance Date
27703-0003-At	Review of the Food and Nutrition Service’s Controls Over the Emergency Food Assistance Program – Phase II	June 7, 2012
27703-0002-At	Recovery Act Impacts on Supplemental Nutrition Assistance Program	June 1, 2012
27703-0002-Hy	State Fraud Detection Efforts for the Supplemental Nutrition Assistance Program	January 27, 2012
27703-0001-Te	Controls over Outsourcing of Food and Nutrition Service’s Supplemental Nutrition Assistance Program Electronic Benefits Transfer Call Centers	June 30, 2011
27703-0001-At	Review of the Emergency Food Assistance Program	March 31, 2010
27099-0071-Hy	Summary of Nationwide Electronic Benefits Transfer System Operations	January 26, 2010
27703-0001-Hy	Funds Provided by the American Recovery and Reinvestment Act for Management and Oversight of the Supplemental Nutrition Assistance Program	December 16, 2009

AUDIT REPORTS ISSUED (sorted by issuance date)		
Audit No.	Audit Title	Report Issuance Date
27703-0001-KC	Supplemental Nutrition Assistance Program Benefits and the Thrifty Food Plan	December 3, 2009
27601-0011-Te	Follow-up on FNS Disaster Supplemental Nutrition Assistance Program for Hurricanes Katrina and Rita	June 2, 2009
27099-0049-Te	Food and Nutrition Service Disaster Food Stamp Program for Hurricanes Katrina and Rita – Louisiana, Mississippi, and Texas	September 4, 2007
27099-0061-At	Food and Nutrition Service Disaster Food Stamp Program for Hurricanes Katrina, Rita, and Wilma – Alabama and Florida	August 30, 2006

Forest Service

AUDIT REPORTS ISSUED (sorted by issuance date)		
Audit No.	Audit Title	Report Issuance Date
08703-0004-SF	American Recovery and Reinvestment Act – Forest Service Capital Improvement and Maintenance Projects – Trail Maintenance and Decommissioning	July 3, 2012
08703-0002-SF	American Recovery and Reinvestment Act – Forest Service Capital Improvement and Maintenance Projects Facility Improvement, Maintenance, and Rehabilitation	July 3, 2012
08703-0006-SF	American Recovery and Reinvestment Act – Forest Service Capital Improvement and Maintenance Projects Abandoned Mine Remediation	May 3, 2012
08703-0003-SF	American Recovery and Reinvestment Act Forest Service Capital Improvement and Maintenance Projects Roads, Bridges, and Related Watersheds	March 12, 2012
08703-0001-Hy	Oversight and Control of Forest Service American Recovery and Reinvestment Act Activities	September 30, 2011
08703-0001-Hq	Existing Risk to Forest Service’s Economic Recovery Program (ARRA Fast Report)	April 3, 2009

Natural Resources Conservation Service (NRCS)

AUDIT REPORTS ISSUED (sorted by issuance date)		
Audit No.	Audit Title	Report Issuance Date
10703-0001-At	Recovery Act - Rehabilitation of Flood Controls Dams	March 25, 2013
10703-0005-KC	Recovery Act – NRCS’ Emergency Watershed Protection Program Floodplain Easements Field Confirmations	March 14, 2013
10703-0001-31	Recovery Act: NRCS’ Emergency Watershed Protection Program Floodplain Easements and Watershed Operations Effectiveness Review	March 14, 2013
10703-0004-KC	American Recovery and Reinvestment Act – Watershed Protection and Floodplain Prevention Operations Program, Field Confirmations	July 24, 2012
10703-0003-KC	American Recovery and Reinvestment Act – Emergency Watershed Protection Program Floodplain Easements, Easement Applications on Non-Agricultural Land	March 14, 2012

AUDIT REPORTS ISSUED (sorted by issuance date)		
Audit No.	Audit Title	Report Issuance Date
10601-0006-KC	Natural Resources Conservation Service – Emergency Disaster Assistance: Emergency Watershed Protection Program	March 30, 2011
10703-0002-KC	American Recovery and Reinvestment Act – Watershed Protection and Flood Prevention Operations Program - Phase I	September 30, 2010
10703-0001-KC	American Recovery and Reinvestment Act –Emergency Watershed Protection Program Floodplain Easements Phase I	September 9, 2010
50601-0012-KC	Hurricane Relief Initiatives – Natural Resources Conservation Service (NRCS) Emergency Watershed Protection (EWP) Program and Dead Animal Debris Disposal Project	October 18, 2007

Rural Development

AUDIT REPORTS ISSUED (sorted by issuance date)		
Audit No.	Audit Title	Report Issuance Date
34703-0001-31	American Recovery and Reinvestment Act – Business and Industry Guaranteed Loan Program – Phase 3	March 29, 2013
09703-0001-22	RUS Controls Over Recovery Act Water and Waste Loans and Grants Expenditures and Effectiveness Review	March 26, 2013
04703-0003-Hy	Loss Claims Related to Single Family Housing Guaranteed Loans	February 25, 2013
34703-0001-31	Recovery Act – Rural Development’s Rural Business Enterprise Grants Field Confirmation	January 24, 2013
04703-0001-31	Rural Development’s Single-Family Housing Direct and Guaranteed Loans – Recovery Act – Effectiveness Review	December 12, 2012
04703-0002-Hy	ARRA – Internal Controls Over the Rural Community Facilities Direct Grant and Loan Programs (Phase II)	September 28, 2012
34703-0002-KC	The Recovery Act – Rural Development’s Controls Over Rural Business Enterprise Grants	September 5, 2012
09703-0001-At	RUS Controls Over Water and Waste Disposal Loan and Grant Program	July 24, 2012
04703-0003-KC	Single-Family Housing Direct Loans Recovery Act Controls – Compliance Review	June 13, 2012
34703-0002-Te	American Recovery and Reinvestment Act – Business and Industry Guaranteed Loan Program – Phase 2	February 13, 2012
04703-0002-Ch	Controls Over Eligibility Determinations for SFH Guaranteed Loan Recovery Act Funds (Phase 2)	September 30, 2011
04601-0019-Ch	Controls Over Rural Housing Service Disaster Assistance Payments	February 7, 2011
09601-0001-At	RUS Controls Over Water and Waste Disposal Loan and Grant Program	September 30, 2010
04703-0002-KC	Single-Family Housing Direct Loans Recovery Act Controls – Phase II	September 24, 2010
04703-0001-Hy	Controls Over Eligibility Determinations for Rural Community Facilities Program Direct Loan and Grant Stimulus Funds (Phase I)	June 29, 2010

AUDIT REPORTS ISSUED

(sorted by issuance date)

Audit No.	Audit Title	Report Issuance Date
34703-0001-KC	Rural Business Enterprise Grants	March 31, 2010
34703-0001-Te	American Recovery and Reinvestment Act – Business and Industry Guaranteed Loan Program	March 31, 2010
04703-0001-KC	Single Family Housing Direct Loans Recovery Controls – Phase I	November 5, 2009
04703-0001-Ch	Controls Over Eligibility Determinations for SFH Guaranteed Loans Stimulus Funds (Phase I)	September 30, 2009
85703-0001-Hq	Existing Risk to Rural Development’s Economic Recovery Program (ARRA Fast Report)	April 3, 2009
04601-0015-Ch	Controls Over Single Family Housing Funds Provided for Hurricane Relief Efforts	March 30, 2007
04601-0013-Ch	Controls Over Multi-Family Housing Funds Provided for Hurricane Relief Efforts	September 28, 2006