



U.S. Department of Agriculture
Office of Inspector General

Management Challenges



August 2009



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



MEMORANDUM FOR THE SECRETARY

FROM: Phyllis K. Fong /signed/ AUG 11 2009
Inspector General

SUBJECT: Management Challenges

The Reports Consolidation Act of 2000 requires the Department of Agriculture (USDA), Office of Inspector General, to identify and report annually on the most serious management challenges USDA and its agencies face.

To identify departmental challenges, we routinely examine issued audit reports where corrective actions have yet to be taken, assess ongoing investigative and audit work to identify significant vulnerabilities, and analyze new programs and activities that could pose significant challenges due to their range and complexity. We discussed our current challenges with USDA officials and considered all comments received.

Last year and in years prior, we reported on major challenges that we believed were the most significant management issues facing USDA. Last year we also began reporting on emerging issues that have the potential to develop into departmental challenges. Given the depth and complexity of the requirements under the American Recovery and Reinvestment Act of 2009 (Recovery Act), we have added as a new challenge the implementation of the Recovery Act. We have also added as an emerging issue for 2009 potential concerns pertaining to the enforcement of regulations under the National Organic Program. With these adjustments, this year's departmental challenges have increased to ten. We are also identifying six emerging issues that may become departmental challenges.

For the current challenges, we removed sub elements reported under two of the challenges—Challenge 4 on Homeland Security and Challenge 8 on Food Safety. Explanations of agency actions taken are reflected on page 3 of this report.

We look forward to working with the Department to address these management challenges. If you have any questions or would like to discuss these issues, please contact me at (202) 720-8001 or Deputy Inspector General Kathleen Tighe at (202) 720-7431. You or members of your staff may also contact either Mr. Robert W. Young, Assistant Inspector General for Audit, at (202) 720-6945, or Ms. Karen Ellis, Assistant Inspector General for Investigations, at (202) 720-3306.

Attachment:
Major USDA Management Challenges

cc:
Subcabinet Officials
Agency Administrators

**OFFICE OF INSPECTOR GENERAL
MAJOR USDA MANAGEMENT CHALLENGES
(August 2009)**

Current Challenges - Synopsis

(1) Interagency Communications, Coordination, and Program Integration Need Improvement

- Integrate the information management systems used to implement the crop insurance, conservation, and farm programs.
- Increase organizational communication and understanding among the agencies that administer the farm, crop insurance, and conservation programs.
- Increase communication and coordination on issues related to agricultural inspection policies and procedures.

(2) Implementation of Strong, Integrated, Internal Control Systems Still Needed

- Develop Rural Housing Service controls over administering disaster housing assistance programs to ensure aid is provided to those in need and to avoid duplication of benefits.
- Strengthen quality control and perform required reconciliation of producer/policyholder data in the Federal Crop Insurance Program.
- Prepare complete, accurate financial statements without extensive manual procedures and adjustments.
- Improve Forest Service and Natural Resources Conservation Service internal controls and management accountability in order to effectively manage resources, measure progress towards goals and objectives, and accurately report accomplishments.
- Capitalize on Farm Service Agency compliance activities to improve program integrity.

(3) Continuing Improvements Needed in Information Technology (IT) Security

- Emphasize security program planning and management oversight and monitoring.
- Establish an internal control program throughout a system's lifecycle.
- Identify, test, and mitigate IT security vulnerabilities (risk assessments).
- Improve access controls.
- Implement appropriate application and system software change control.
- Develop disaster contingency (service continuity) plans.
- Address computing problems and mitigate the impact to users.

(4) Departmental Efforts and Initiatives in Homeland Security Need To Be Maintained

- Implement commodity inventory systems that provide critical homeland security features.
- Continue to strengthen controls over select agents and toxins.
- Continue efforts to coordinate with the Department of Homeland Security in implementing effective control systems to ensure the safety and security of agricultural products entering the country.

- Continue to strengthen ability to respond to avian influenza outbreaks.
 - Strengthen controls over live animal imports.
- (5) **Material Weaknesses Continue To Persist in Civil Rights Control Structure and Environment**
- Develop a plan to process complaints timely and effectively.
 - Ensure integrity of complaint data in the system.
 - Develop procedures to control and monitor case file documentation and organization.
- (6) **USDA Needs To Develop a Proactive, Integrated Strategy to Help American Producers Meet the Global Trade Challenge**
- Continue to strengthen genetically engineered organism field testing controls to prevent inadvertent genetic mixing with agricultural crops for export.
 - Develop a global market strategy.
 - Strengthen trade promotion operations.
- (7) **Better Forest Service Management and Community Action Needed To Improve the Health of the National Forests and Reduce the Cost of Fighting Fires**
- Develop methods to improve forest health.
 - Establish criteria to reduce the threat of wildland fires.
- (8) **Improved Controls Needed for Food Safety Inspection Systems**
- Complete corrective actions on prior recommendations.
 - Develop a time-phased plan to complete assessments of establishment food safety system control plans and production processes, including a review program that includes periodic reassessment.
 - Improve the accuracy of data available in the systems.
 - Continue to develop and implement a strategy for training inspectors.
- (9) **Implementation of Renewable Energy Programs at USDA**
- Develop and implement a viable and comprehensive renewable energy strategy for USDA agencies and programs.
- (10) **NEW CHALLENGE: Implementation of the American Recovery and Reinvestment Act of 2009**
- Provide timely and effective oversight of Recovery Act monies expended by USDA programs.

Challenges Removed From the Fiscal Year 2008 List

No departmental management challenges were removed from this year's list. All those currently listed remain as challenges; however, actions taken by agencies to address the challenges have been noted in the individual narratives.

USDA has made progress in addressing issues identified under the following departmental management challenges.

Challenge (4) Departmental Efforts and Initiatives in Homeland Security Need To Be Maintained

Complete security clearances for employees involved in commodity inventory management activities and in risk assessments. The Farm Service Agency has obtained security clearances for current employees who are involved in inventory management activities and in the risk assessment process. A process is in place to ensure future employees will have the appropriate security clearances.

Challenge (8) Improved Controls Needed for Food Safety Inspection Systems

Develop a process to accumulate, review, and analyze all data available to assess the adequacy of food safety systems. The Food Safety and Inspection Service (FSIS) published FSIS Notice 19-08, AssuranceNet Data Monitoring Responsibilities and Instructions for Office of Field Operations Managers, dated March 26, 2008, which provided officials at headquarters, districts, and circuit levels with guidance on reviewing, analyzing, and responding to AssuranceNet results. AssuranceNet is a major part of FSIS management controls over inspection activities. FSIS developed additional guidance to supervisors on using the "Reminder" section to track follow-up visits and conduct In-Plant Performance System (IPPS) assessments. These reminders can also be viewed by the district managers. When deficiencies are found during the IPPS review, this is documented by the supervisor clicking on a screen element labeled "Follow-up."

EMERGING ISSUES

We have included potential areas of concern (emerging issues) that may develop into challenges in upcoming years. Some potential areas identified encompass all components of USDA, while others may be specific to our existing management challenges.

- **Implementation of the 2008 Farm Bill Activities/Initiatives.** On June 18, 2008, the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) became Public Law 110-246. The 2008 Farm Bill authorizes new programs and re-authorizes programs covering the plethora of activities carried out by the Department. In addition to the farm provisions affecting U.S. producers, the Farm Bill includes trade, crop insurance, research, food safety and marketing, nutritional assistance, rural development, international food assistance, and bioenergy provisions. With enactment of this law, the Department needed to immediately implement some new programs, phase out expired programs, and revise existing programs. The scope of the Farm Bill and the timelines provided to implement the multitude of provisions require significant monetary and human capital resources to be expended by the Department. The Department continues working to implement some of the programs.
- **Enforcement of Suspension and Debarment Regulations in USDA Agencies.** Except for a few agencies, USDA is generally not using suspension and debarment regulations to protect the Government from habitual abusers of Federal programs even though this has long been a requirement for procurements through the Federal Acquisition Regulations, 48 CFR 9.4, and for nonprocurement transactions, Executive Order 12549, *Debarment and Suspension*, signed by the President on February 18, 1986. Moreover, USDA has excluded many of its programs from the suspension and debarment regulations using questionable justification. Given the fact that suspension and debarment is a critical tool for ensuring program integrity, we believe it is time for USDA to address this issue and implement controls to ensure the effective implementation of suspension and debarment within USDA. Recently, USDA's Office of the Chief Financial Officer and Office of the General Counsel (OGC), with the support of the Secretary, addressed the concerns of OIG to move towards an effective implementation of suspension and debarment requirements. Further progress includes development of a proposed rule on suspension and debarment that adopts the more stringent Government-wide standards. This should make USDA a more active participant in the use of suspension and debarment.
- **Proposed Amendments To Improper Payments Information Act (IPIA) of 2002.** In fiscal year (FY) 2008, we removed the implementation of IPIA as a departmental management challenge because of significant actions being taken by its agencies. We did, however, classify it as an emerging issue since a Senate bill was introduced that would amend the IPIA of 2002. The bill was not passed during the 110th Congress; however, on July 23, 2009, the Senate bill was reintroduced for the 111th Congress—the “Improper Payments Elimination and Recovery Act of 2009.” The proposed legislation, if enacted, would focus more attention on improving management controls and recovering identified improper payments. We will monitor the progression of the bill and continue to work with the Department on improper payments issues.

- **Availability of Human Capital Resources To Handle Agency Program Requirements.** Program changes occur annually due to new laws such as the 2008 Farm Bill and the American Recovery and Reinvestment Act of 2009 (Recovery Act), changes in priorities, the occurrence of disasters, new initiatives, etc. Each program change requires an experienced and skilled staff to ensure the programs operate efficiently and effectively. There will be increased pressure on staff during the next few years as the 2008 Farm Bill and the Recovery Act are being implemented. Under the 2008 Farm Bill, there are new programs that will require policies, regulations, and changes to management information and program delivery systems to ensure each program is properly implemented and program benefits are timely and accurately dispersed. Under the Recovery Act, funds are to be disbursed promptly following the enactment of the Act to those areas showing the greatest need. Changes mandated by the 2008 Farm Bill and the Recovery Act are occurring at a time when a large percentage of USDA's experienced and skilled staff are eligible to retire. Between 2003 and 2009, USDA's workforce has declined by 9 percent. As recently as April 2009, 149 of the 294 Senior Executive Service staff are eligible to retire (51 percent). Another 8,355 GS-11 to GS-15 employees are also eligible to retire (20 percent). Specific concerns follow.

 - **Natural Resources Conservation Service's (NRCS) Staffing Resources.** In our August 2008 audit of wetland restoration compliance in NRCS' Wetlands Reserve Program (WRP), we found that NRCS State offices were unable to monitor an increasingly large number of WRP easements on an annual basis with the resources available to them. We sampled 153 WRP projects in 6 States and found that NRCS was unable to annually monitor 134 of the projects (88 percent). We visited 92 of these WRP projects and found that NRCS did not detect violations on 37 of the WRP projects (42 percent). We noted from FYs 2000 to 2005, in the 5 State offices we visited, monitoring responsibility almost doubled—from 1,584 WRP projects to 2,971. Meanwhile, these 5 State offices lost almost a quarter of their WRP full-time equivalents (FTE)—from 69 to 53. For example, projects being monitored at NRCS' New York State office increased from 542 to 1,132, while its FTEs decreased from 9 to 8. We found similar trends at the other four State offices. Given its resources, we recommended that NRCS implement a monitoring system to prioritize projects for monitoring instead of attempting to monitor all sites as required by current procedures. NRCS agreed that its existing staff was unable to complete all the requisite on-site monitoring. To address its limited staffing resources, NRCS, in its response to the draft audit report, explained it will utilize high resolution aerial photography and trained remote sensing staff to complement on-site monitoring activities. NRCS asserts that the digitization of these high resolution photographs will enable NRCS to prioritize site visits by potential violations.
 - **Food Safety Inspector Staffing and Retention.** Recent recalls and congressional hearings have brought FSIS inspector staffing levels into question. There may be a public perception that there are not enough FSIS inspectors on staff, and, in testimony to Congress, USDA acknowledged that there are areas where inspector retention is difficult. Although this is not a new issue, it is one that is likely to persist, especially given FSIS' increasing role and potential budget constraints. In January 2009, FSIS

received approval to start a pay-for performance test project for 2,800 FSIS employees, including all General Schedule, non-bargaining unit employees within FSIS, such as public health veterinarians. This is a 5-year pilot project aimed at addressing FSIS' growing list of advanced public health functions in addition to inspecting meat, poultry, and processed egg products. These functions include food defense, biosecurity, and public-health science.

- **Workforce Succession Planning for Firefighters.** As part of our ongoing audit scheduled for release in September 2009, we determined that the Forest Service (FS) does not have a national plan to manage its future firefighting workforce needs. FS, like numerous Federal agencies, has a workforce where many of its employees are ready to retire or will be eligible in the near future. FS already relies on employing retired personnel to perform many needed tasks. This is increasingly true for fire-suppression activities. In 2009, approximately 26 percent of the critical firefighters are eligible to retire, with 64 and 86 percent becoming eligible in the next 5 and 10 years, respectively. In addition, the average age of those qualified to hold these critical firefighter positions is nearly 53 years old, which, given a mandatory retirement age of 57 for many, means that FS will soon lose a significant number of critically qualified firefighters.¹

FS' fire training program will also not provide for future needs. Training proceeds at an employee-determined pace and takes longer than necessary to qualify for critical firefighting positions. Trainees average 23 years to qualify for three groupings of critical incident management positions, or an average 13 years longer than the optimal timeframes that FS estimates are possible with more focused training.

With an average age of 44 and suboptimal training progress, many trainees will be almost eligible to retire by the time they qualify for the positions they are training to replace. These problems are complicated by the fact that the rate of participation of FS employees in fire suppression activities has been declining.

- **A Multi-Year Effort to Redesign the Food and Nutrition Service's (FNS) Workforce.** As noted in FNS' FY 2008 financial statement audit report [27401-33-Hy], the agency's ability to continue to absorb administrative resource reductions without impacting essential agency functions is not unlimited. According to FNS, while the agency can currently provide reasonable assurance relating to internal controls, financial reporting, and financial systems for FY 2008, it has reached a critical point regarding necessary administrative resources. FNS intends to continue to strive to ensure the operational and fiscal integrity of the Nation's nutrition safety net as it has throughout its 40 year existence. In 2007, FNS initiated a multi-year effort—"Building a New FNS"—which seeks to redesign the agency's workforce, organizational structure, processes, and systems to meet the program and organizational demands forced on the agency by diminished resources. This effort focuses on organization and process changes that FNS believes will position it to be

¹ Personnel in any of FS' job series may qualify to hold any fire position, which is considered a collateral duty. However, some staff work in positions with a mandatory retirement age of 57 while others do not.

able to function optimally with projected workforce reductions. Initial structural and process changes have already begun to occur, including the realignment of the agency's senior management structure and a holistic redesign of the Supplemental Nutrition Assistance Program's retailer authorization function. FNS believes these initiatives, as well as others which will emerge from the process over time, will fundamentally change the way in which FNS conducts its business by making it more nimble and focused on core mission responsibilities.

- **Availability of Human Capital Resources to Handle Increasing Farm Service Agency (FSA) Program Requirements.** FSA has an agency human capital plan in place, but it has not been updated to address the changing circumstances of the agency. FSA is challenged with continuing and deepening budget constraints and, as reported by FSA officials, on board employees are at a record low (down 10.5 percent in the last 8 years). Meanwhile, FSA is implementing new farm programs required by the 2008 Farm Bill. FSA's ability to deliver the mission of the agency could be seriously compromised as the retirement eligible employees depart before significant numbers of new employees can be brought on board and trained to provide all required services. This is particularly evident in the field offices where Farm Bill programs and farm loans are delivered to farmers and ranchers. FSA stated that its retirement eligibility rate is currently at 22 percent with an additional 27 percent eligible for retirement within the next 3-5 years. This could result in a potential loss of 49 percent of FSA's existing employees. If one third of the eligible employees retire during the next 5 years, the expected attrition from retirement alone would be an additional 16 percent on top of the 10.5 percent reduction already taken due to budget constraints. FSA officials have stated that a comprehensive workforce succession plan is needed to ensure continuity of the delivery of the agency's critical programs.
- **NRCS Conservation Performance Goals.** Under its Conservation Effects Assessment Project (CEAP), NRCS has adopted outcome-based performance measures to quantify the environmental benefits of conservation practices by private producers and landowners participating in its conservation programs. Until CEAP is fully implemented, NRCS does not have timely and accurate information to effectively measure the accomplishments of its conservation activities and of the agency's strategic goals. In its 2006 and 2008 Program Assessment Rating Tools, the Office of Management and Budget (OMB) identified the Conservation Security Program as "Results Not Demonstrated" in large part because it is difficult to estimate the environmental benefits from the Conservation Security Program's activities that provide incentives for producers to achieve benefits greater than minimum standards. In our review of the Chesapeake Bay Program, we recommended that USDA expedite the development and implementation of CEAP. Currently, NRCS leadership continues to assess the specific direction needed to accomplish this goal.

- **NEW: National Organic Program (NOP).** The Organic Foods Production Act, enacted as part of the 1990 Farm Bill, required USDA to develop national standards for organically produced agricultural products to assure consumers that agricultural products marketed as organic meet consistent standards. The Act also required USDA to establish an organic certification program based on recommendations of a National Organic Standards Board (NOSB). The NOP is a marketing program within the Agricultural Marketing Service—the USDA agency that sets marketing standards. The NOP developed national organic standards and established an organic certification program based on recommendations of the NOSB. NOP regulations became effective in October 2002 and are periodically updated to revise the list of allowed and prohibited substances. U.S. organic food sales have increased significantly since 1997 and have reached over \$24 billion in 2008. Because producers can charge more for organic foods, there is an incentive by producers to label foods as organic that might not meet requirements. Currently, OIG investigations have several open cases concerning NOP. The cases involve the use of liquid fertilizers and other non-organic products by organic producers. As a result of these investigations, USDA has issued new guidance to its certifiers in regards to liquid fertilizers and is continuing to try and improve its regulations and their enforcement. OIG is also performing an audit (Audit No. 01601-3-Hy) to determine whether products marketed as organic meet NOP’s requirements and to ensure that oversight provided by AMS and certifying agents is adequate to meet NOP objectives. Since NOP is a relatively new program and understanding of the program’s regulations is limited, there is potential for increased fraud or misrepresentation.

CHALLENGE: INTERAGENCY COMMUNICATIONS, COORDINATION, AND PROGRAM INTEGRATION NEED IMPROVEMENT

SUMMARY: USDA's work crosses jurisdictional lines within the Department and throughout the Government. USDA's challenge is to develop and foster a unified approach to accomplishing the Department's mission; the various agencies of the Department must understand and appreciate the interrelationships of their programs and work together to create a cohesive and integrated system of program administration that is greater than the sum of its individual parts. Such an approach would increase organizational communication and provide a continuum of information, thus streamlining operations, reducing expenditures, and improving program efficiency, compliance, and integrity. This approach would enable USDA to speak with one unified voice and would be in line with USDA's strategic plan, which emphasizes results based on teamwork across agencies.

OIG AUDIT/INVESTIGATION ACTIONS:

USDA Could Improve Crop Insurance, Conservation, and Farm Program Integrity and Efficiency Through Integration of Agencies' Information Management Systems. For crop years 1998 through 2007, FSA's ad hoc crop disaster programs (CDP) were predicated on crop production data managed by the Risk Management Agency (RMA) and downloaded to FSA. OIG's audits of the CDPs showed that FSA and RMA need to reconcile and redefine their data to better meet the needs of FSA in the administration of the CDPs. Specifically, our audits of CDPs have disclosed instances in which improper payments occurred because data downloaded from RMA were not properly interpreted or used by FSA. For example, our audit of the 2001/2002 CDP found cases in which FSA incorrectly processed applications for producers with crop insurance based on group risk. The applications required special handling to determine producers' individual (versus group) losses, but FSA employees did not consistently recognize group risk program policies on the data downloaded from RMA. FSA's correct use and interpretation of RMA data will bear increased importance as FSA implements its new, "permanent" crop disaster program—the Supplemental Revenue Assistance Payments (SURE) Program, under the 2008 Farm Bill. Payments under SURE, as with the predecessor CDPs, are to be based, in part, on RMA production data.

Our August 2005 audit of NRCS' *Wetland Reserve Program in California* and our followup August 2007 audit of *Crop Bases on Lands With Conservation Easements in California* concluded, generally, that NRCS purchased easements on land with farm subsidy base acres without communicating easement information to FSA or ensuring that landowners permanently retired that base from FSA's programs. (Producers are generally prohibited from receiving payments for both a conservation easement and FSA's farm subsidy programs on the same piece of land.) As a result, FSA made improper farm subsidy payments on easement-encumbered lands and was at risk of making additional improper payments because the necessary easement data were not provided to FSA.

In the instances above, improper CDP and farm subsidy payments could have been reduced had the respective RMA and NRCS information been fully reconciled and integrated with FSA's program operating systems.

The Agricultural Risk Protection Act of 2000 (ARPA) required RMA and FSA, beginning with the 2001 crop year, to annually reconcile data received by the agencies from producers. In our September 2003 report on the implementation of ARPA, we reported that RMA and FSA's first data reconciliation effort (for the 2001 crop year) was thwarted by differences in the agencies' data definitions, such as "producer" vs. "insured" and "farm" vs. "unit." The attempted data reconciliation identified hundreds of thousands of disparate records between the two agencies—a number too great to be addressed successfully. The agencies have not since attempted another data reconciliation, and RMA and FSA have not completed the legislatively mandated annual data reconciliation for a single year.

Since ARPA was enacted, section 10706 of the Farm Security and Rural Investment Act of 2002 directed the Secretary of Agriculture to develop a comprehensive information management system (CIMS) to be used in implementing the programs administered by RMA and FSA. Under section 10706, all current RMA and FSA information is to be combined, reconciled, redefined, and reformatted in such a manner that the agencies can use the information management system. It was the sense of Congress that CIMS, developed for RMA and FSA, would demonstrate substantial efficiencies and serve as a first step toward broader, Departmentwide integration—that valuable groundwork would be laid for further modernization of information technology systems of USDA agencies in the future, and for the incorporation of those systems into CIMS.

Under CIMS, which is expected to be operational in 2012, RMA and FSA have begun to address inconsistencies in their crop data definitions, such as practice, type, intended use, and variety. However, rather than build on those data definitions to develop a fully integrated system in which data reported by a producer to one agency may be used to the extent practicable by the other agency, CIMS, to date, has focused on sharing the data collected by one agency with the other, in order to allow a side-by-side, visual comparison of the producer data reported to each agency. The ability to compare the data, however, may mean little unless the agencies are cognizant of differences in data definitions, capable of properly interpreting one another's data, and responsible for reconciling any differences.

According to FSA, CIMS, in and of itself, is not intended as a process for reconciliation of data collected by RMA and by FSA from producers; the reconciliation process that will be performed using CIMS is a reconciliation of data elements that are used to collect data from producers, i.e., how a single piece of information collected by one agency relates to a similar piece of information collected by the other agency. Moreover, CIMS currently is not integrated into the agencies' program administration—CIMS stands alone as a subsystem whose operations do not interface with the agencies' program operating systems. Much remains to be done to bring to fruition the agencies' reconciliation and integration of producer information, in order to improve the integrity and efficiency of the programs.

In the interim, OIG investigations staff in the National Computer Forensic Division are working with RMA and FSA in order to determine common data sets that could be utilized from both their systems for data mining for investigative purposes until the CIMS project is fully operational.

USDA Could Reduce Improper Payments in Conservation and Farm Programs Through Improved Communication and Understanding Between Agencies. Past and ongoing audit work has identified the need for agencies to (1) better understand how their actions impact other agencies' programs and (2) better communicate to other agencies information essential to the proper administration of the other agencies' programs.

In an earlier example, we described how FSA issued improper farm subsidy payments because NRCS did not communicate to FSA essential conservation easement information. This problem continued for at least 2 years after we initially reported the communication issue in our 2005 audit of WRP.

Likewise, our ongoing audit of FSA's Hurricane (crop) Indemnity Program (HIP) shows that it took more than 2½ years for RMA to provide FSA with corrected crop insurance information after RMA was made aware such corrections were needed to ensure the integrity of HIP payments. Specifically, under HIP, which was implemented in 2006, eligible producers who received a crop insurance indemnity for crop losses attributable to the 2005 hurricanes (based on the producer-reported causes of loss and dates of damage) were eligible to receive HIP benefits equal to 30 percent of the crop insurance indemnity. HIP payments were based on RMA data downloaded weekly to FSA. However, during the audit it came to our attention that, after HIP was announced, some approved insurance providers (AIP) changed producers' causes of loss or dates of damage and resubmitted the information to RMA so it would be downloaded to FSA. This action resulted in some producers becoming eligible for HIP payments who otherwise would have been denied payments.

The changes to RMA data for HIP purposes were first reported to RMA by FSA in August 2006. By February 2007, RMA had verified with at least one of the AIPs that some of the changes were unsupported. However, it was not until May 2008, that RMA submitted the data-warehousing and data mining work order that would be used to generate (for AIP review) lists of changes in causes of loss or dates of damage affecting HIP eligibility, and it was April 2009 before RMA provided FSA with a final and verified list/download of eligible HIP producers. FSA, in the interim, has had to hold open the application and payment processing software for HIP until the FSA national office is certain that all corrections have been received in the downloads and overpayment registers have been run to identify overpayments.

In these cases of conservation easements and crop loss, NRCS and RMA were aware of how their respective easement and cause of loss/date of damage information affected FSA's farm subsidy and HIP programs but did little to ensure the correct, necessary data were timely provided to FSA to ensure the integrity of FSA's program payments. In such cases, the agencies must be made to recognize not only the need to share but their responsibility to provide accurate data to other USDA agencies.

Improved Communication Could Enhance Agricultural Inspection Activities. Selected agricultural inspection activities were transferred to the Department of Homeland Security (DHS) U.S. Customs and Border Protection (CBP) from USDA. In 2003, CBP assumed responsibility to inspect agricultural goods arriving at U.S. ports, while the Animal and Plant Health Inspection Service (APHIS) retained responsibility for agricultural policies and procedures. In a joint audit, DHS-OIG and USDA-OIG focused on transition issues and problems previously identified by USDA-OIG.

In the joint January 2007 audit, we found APHIS had not developed an Agricultural Quarantine Inspection Monitoring (AQIM) process for incoming rail cargo (sampling for AQIM helps APHIS predict potential future risks of the entry of agriculture pests and diseases). Although APHIS officials had agreed with the need for a risk assessment process in our *Safeguards to Prevent Entry of Prohibited Pests and Diseases Into the United States* report issued February 2003, they cited operational difficulties (such as the inability to obtain cargo manifests on a timely basis) as a barrier to the development of a workable AQIM system.

APHIS policy on Transportation and Exportation (T&E) shipment permits was not consistent. APHIS' *Airport and Maritime Operations Manual*, issued in April 2004, allowed agriculture specialists to use their own judgment and allow some T&E shipments to enter without APHIS-issued permits. The APHIS *Manual for Agriculture Clearance*, issued June 2005, required transit permits for all T&E shipments. Other APHIS policies allow some exceptions. For example, APHIS' *Fruit and Vegetable Manual*, issued November 2005, stated that some T&E shipments could enter without permits.

APHIS guidelines provide that all seized material should be sealed and properly labeled with the flight number or vessel's name and country of origin for later examination and identification of pests and diseases. Only one of the three airports visited labeled and bagged all seized Quarantine Material Interceptions (confiscated regulated plant or animal products from baggage, cargo, mail, aircraft, or vessels because of prohibition, permit denial, pest risk, or abandonment). Without labeling and sealing the seized agricultural products in containers or bags, the port may not be able to use the products in risk assessment to identify the pests' source.

Resolution of these issues requires USDA and CBP to coordinate developing policies, procedures, and systems to improve the effectiveness of agriculture inspection activities at ports of entry into the United States.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: RMA and FSA have established a working group to develop CIMS, which will combine the agencies' separate program data (e.g., acreage, type of crop, producer, and past claims). This effort includes redefining data common to, and needed by, both agencies and data unique to each agency and developing a common format for such data.

In January 2004, USDA awarded a contract to assist in the development of CIMS. The first component of CIMS to be developed is a database that contains select RMA and FSA data. This component is to enable agency management, FSA county offices, RMA compliance and regional offices, AIPs, company approved agents, and loss adjusters to access, from a single source,

applicable producer information and crop acreage information reported by producers to RMA and to FSA. RMA reports that, since July 2006, CIMS has been loading selected RMA and FSA data on a weekly basis. According to RMA, the system currently provides RMA and FSA electronic access to a centralized source of some common information reported by a producer to both RMA and FSA, generally regarding crop acreage and business entity type.

Thus far, FSA has provided CIMS access to only its national office and a few State and county offices to test applications. FSA State and county office employees will be granted access once the applications have been tested and a policy has been issued for CIMS (estimated fourth quarter of FY 2009). In December 2007, USDA published routine uses for CIMS (system of records) in order to share crop and production data with AIPs, and, as of February 6, 2009, AIPs were provided access through CIMS to certain insured producer information to develop information services to be used by the AIPs' associated agents and loss adjusters. Each AIP and employee of the AIP must sign a non-disclosure statement agreeing to ensure the proper use and handling of information before obtaining access to CIMS data. The AIPs will be able to use this information to reduce costs associated with data collection by having electronic access to FSA data versus an in-person visit to a USDA county office. AIPs will also be able to identify inconsistencies between information reported for RMA and for FSA programs.

On April 8, 2008, FSA reported that testing of "Managers Reports" developed through CIMS and procedures was underway. According to FSA, the reports, when deployed, can be used by AIPs, RMA, or FSA when concerns arise as to possible differences between information submitted by producers to RMA and to FSA, i.e., to facilitate data reconciliation. Testing of such "comparison" or "discrepancy" reports continues in 2009, and such reports will be modified, or additional reports generated, as needed. Policy for users of CIMS applications is to be issued, procedures approved, an on-line users guide developed, and applications deployed in FY 2009.

According to RMA and FSA, the agencies continue to work to incorporate more data into CIMS and its applications and to agree to common reporting requirements for various data elements. The agencies (RMA and FSA) also plan to meet with NRCS in FY 2009 to further pursue collecting, sharing, and defining common data. RMA and FSA are analyzing and making recommendations on (common) crop reporting dates to be implemented for crop year 2009, and hope to agree, by the end of FY 2009, to common reporting requirements and meta-data² definitions for producer, State, and county. In the second quarter of FY 2009, RMA production data were added to CIMS. FSA likewise is working to incorporate its production data into CIMS in FY 2009. RMA also plans to (1) include its nursery, livestock, and Adjusted Gross Revenue insurance plan data into CIMS in FY 2009; (2) implement FSA member entity data into CIMS applications for comparison to RMA's substantial beneficial interest data; and (3) modify comparison reports for common land units reported on RMA acreage using the common land unit identifier record.

² Meta data captures data elements or attributes (name, size, date, type, etc.); data about records or data structures (length, fields, columns, etc.); and data about data (where it is located, how it is associated, ownership, etc.).

Finally, FSA reports that, in the third quarter of FY 2008, the agencies began working towards a single acreage reporting process for insured producers to reduce the burden of duplicating reporting requirements for producers for common data elements, which would eliminate the need for reconciliation (since only one dataset would be maintained). Such single acreage reporting process is scheduled to be completed during FY 2012. In the long term, NRCS will be invited to participate in CIMS. The success of the CIMS effort critically depends on a unified, integrated approach to program administration, information collection, and systems development.

In response to our WRP audit, NRCS and FSA agreed to correct agency-specific findings and remove all impairments that have prevented them from ensuring that landowners permanently reduce their existing crop base acres where appropriate. All parties agreed that these actions, when completed, along with implementation of the other recommendations, would significantly strengthen the program.

With regard to actions taken by the agencies to integrate interagency communication and coordination in their program activities to ensure one agency's actions do not adversely affect the other agency's programs, NRCS and FSA report they meet weekly to improve communication, coordinate issues and opportunities common to the conservation agencies, and assure that one agency's actions do not adversely affect the other agency's programs. Further, FSA reports that it obtains NRCS authorization on all procedures for programs related to NRCS and FSA before directives are issued to field offices, and that the Tri-Agency Geospatial Data Management Group (comprised of FSA, NRCS, and RMA) meets once a month to identify and resolve geospatial data issues. RMA reports it will continue to stress to its offices to follow the procedures in Handbook 4-RM, *Federal Crop Insurance Corporation Program Integrity*. This handbook provides procedures and guidance to FSA State and county offices, RMA, and insurance providers for improving Federal Crop Insurance Program compliance and integrity as required by ARPA.

In response to the joint DHS – USDA audit of CBP's agricultural inspection activities, APHIS updated the *Manual for Agricultural Clearance* to allow CBP to establish local procedures to allow proper labeling and packaging for seized agricultural products. APHIS also provided a detailed training course for CBP on various aspects of the manual.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE: Top departmental leadership is critical to effecting the cultural changes necessary to the success of a unified approach to USDA program administration. The Department must foster improved interagency communication and data sharing/integration in order to increase efficiency and to preclude the agencies from inadvertently working at odds with one another. While the Department's actions to foster improved communication and data sharing are incomplete, RMA, NRCS, and FSA report incremental achievement of progressive milestones in their submissions to the USDA Major Management Challenges Report.

Farm Programs. To prevent errors and irregularities in one program from affecting program payments in another:

- RMA, FSA, and NRCS should implement CIMS to better share program data and eliminate duplicate reporting by producers.
- RMA and FSA should implement a more effective data reconciliation process, as mandated by ARPA. Even if CIMS is implemented, validity checks, i.e., data reconciliation, should be employed in that system to identify apparent discrepancies in related data, and steps should be taken to resolve such discrepancies. The agencies' deployment of "comparison" or "discrepancy" reports through CIMS will be a first step to data reconciliation. To be effective, however, procedures must be developed to identify and reconcile such discrepancies as a routine matter.
- RMA, FSA, and NRCS should incorporate data mining techniques up front in the design of software used for program administration to detect data anomalies and potential improper payments. (Through data mining, RMA has estimated \$487 million in potential savings from crop year 2001 through crop year 2006. In 2006, to better identify fraud, waste, and abuse in the crop insurance program, FSA began sharing with RMA information on policyholders' ownership interests. NRCS could also benefit from data mining in its direct administration of conservation programs.) We note that RMA and FSA report that the appropriate points for applying data mining techniques within each of their agencies have been incorporated into CIMS. However, until such time as CIMS is fully implemented and integrated into the agencies' program administration, such data mining is only peripheral to, and not a routine part of, program administration. Data mining should be incorporated and implemented at the forefront of the programs to preclude improper payments.
- Both NRCS and FSA, and RMA and FSA should continue to integrate interagency communication and coordination in their program activities to ensure one agency's actions do not adversely affect the other agency's programs.

Inspection of Agricultural Commodities. To assist CBP in improving the inspection of agricultural products:

- APHIS should develop and provide to CBP a system of risk assessment for rail cargo so that the degree of risk can be determined.
- APHIS should clarify the requirements for using T&E permits and develop methods for CBP to efficiently verify that required permits are obtained.

CHALLENGE: IMPLEMENTATION OF STRONG, INTEGRATED, INTERNAL CONTROL SYSTEMS STILL NEEDED

SUMMARY: OMB Circular No. A-123, *Management's Responsibility for Internal Control*, was revised in 2006. The circular requires that agencies and individual Federal managers take systematic and proactive measures to develop and implement appropriate, cost-effective, internal controls. USDA agencies have a history of reacting to individual control issues rather than addressing the overall weaknesses of their internal control systems. Some of the internal control weaknesses identified by OIG and discussed below are specific to individual agencies, while others represent Departmentwide weaknesses.

Rural Housing Service Needs To Improve Controls Over Housing Assistance Provided to Victims of National Disasters. We reviewed the Rural Development's (RD) Rural Housing Service's (RHS) response to Hurricanes Katrina and Rita and found that the agency needed to improve controls over the disaster assistance it was providing to victims in its multifamily and single-family housing programs. While the agency should be commended for its quick response to these disasters, we found that the agency lacked internal controls to safeguard the assistance it provides for major disasters. We found cases where victims participating in the multifamily housing program received duplicate aid from multiple sources, including other Federal agencies and private charitable organizations. We also found cases in the single-family housing program where RHS was funding repairs to residences that were not related to hurricane damage. Since the funding RHS receives for disasters is limited, it is critical that RHS provide funds to only those victims that were adversely impacted by the disaster. We noted in our audit of funds provided for single-family housing that sufficient funds were not available to fund all victims' requests.

Longstanding Issues Remain Uncorrected in Federal Crop Insurance Programs Regarding Quality Control Issues and Reconciliation of Data. For the 2008 crop year, indemnity payments totaled approximately \$8.6 billion and Government subsidies of insurance premiums totaled approximately \$5.7 billion. To ensure quality and integrity in its programs, RMA relies on a number of complementary and/or independent control systems; these include quality control reviews by AIPs and compliance activities by its own staff.

Our audits and investigations have reported the need for RMA to strengthen its quality assurance and compliance activities to ensure compliance with program requirements. We have found through our audits and investigations that there is no reliable quality control review system to evaluate private sector delivery of the Federal Crop Insurance Program. Also, beginning with the 2001 crop year, ARPA required that RMA and FSA reconcile producer-derived information at least annually in order to identify and address any discrepancies. RMA has not attempted to perform this reconciliation of RMA and FSA data since crop year 2001. RMA believes that the development of CIMS—jointly with FSA—will meet the reconciliation requirements of ARPA. However, OGC opined that it does not know if CIMS would fulfill such provisions (for reconciliation). Moreover, CIMS will not assist RMA in reconciling data from the 2001 crop year through the time that CIMS is fully implemented because only current information will be loaded into CIMS. Full implementation of CIMS (e.g., common land unit, common producer

reporting, single acreage reports) is anticipated in 2012. Without a firm commitment and departmental oversight, we believe the date for implementation will continue to be pushed back.

Agencies Need To Improve Their Response to Audit Recommendations. USDA agencies need to improve their timeliness in developing and implementing corrective action plans in response to audit recommendations. The Government Accountability Office's (GAO) Website lists 64 audits with open recommendations for USDA. This includes 12 audits released in FY 2009 and 57 in prior years as of July 29, 2009, with the oldest GAO audit being open since FY 2002. As of July 29, 2009, there were 11 audit reports where OIG and the agencies had not reached management decision on the actions necessary to address the recommendations within the required 6-month time period. Based on records maintained by the Office of the Chief Financial Officer (OCFO), as of July 29, 2009, there were approximately 103 audits where agencies had not completed final action within 1 year of agreeing to implement corrective actions. Developing and implementing effective corrective actions in response to audit recommendations is a key component to enhancing agency internal control systems. Many GAO and OIG findings deal directly with weaknesses in agencies' internal control structures.

Improved Controls Needed Over USDA Financial Processes. Improvements in internal controls over financial management systems and processes are needed in USDA to ensure that accurate financial data is available to managers administering and operating USDA programs, as well as OMB, in a timely manner. Control weaknesses continue to impair the utility of USDA's financial information as evidenced by two significant deficiencies disclosed for the past 5 years. Significant deficiencies in the areas of improvements needed in overall financial management across USDA and in information technology security and controls were reported as material weaknesses for the Department. In addition, we reported three instances of noncompliance with laws and regulations. For the FY 2008 statements, USDA received an unqualified opinion on its consolidated balance sheet, statements of net cost, changes in net position, and budgetary resources, in accordance with generally accepted accounting principles.

In FY 2008, NRCS received its first full stand alone financial statement audit and NRCS received a disclaimer of opinion; however, the errors were determined not to be material to USDA's consolidated financial statements. As a result, USDA received unqualified audit opinions on the FY 2007 and 2008 financial statements. Agency stand alone financial audits identified 8 material weaknesses and 13 significant deficiencies. Although improvements have been made in this area, it nonetheless continues to represent a management challenge to the Department.

Forest Service Needs To Better Ensure Adequate Oversight of Internal Controls. Internal control issues discovered through OIG work include the need for FS to have better controls to manage contracted labor crews, enable monitoring and management of critical firefighter positions, and improve the justifications for acquisition of capital assets (specifically aircraft).

NRCS Needs To Significantly Strengthen Its Policy, Processes, and Procedures. We continue to find significant deficiencies in NRCS' management controls over its programs (from producer eligibility approval to producer compliance with conservation provisions) as well as over its administrative activities. Starting after the 2002 Farm Bill, NRCS took more direct

responsibility over implementing and administering its conservation programs. In 2002, the Secretary gave NRCS additional responsibilities to implement newly mandated conservation programs that deliver significantly more financial assistance to producers. NRCS has yet to establish the necessary management controls and processes to effectively administer and manage these new programs. We attribute these deficiencies to the agency's decentralized organizational structure. NRCS delegates broad authority to its field units (State, area, and district offices) without having an adequate system of oversight, monitoring, and review controls to ensure policies established by senior management are followed. We have identified significant control deficiencies in our three most recent WRP audits, our two Farm and Ranchland Protection Program audits, and our *Controls over Vehicle Maintenance Costs* audit. In each of these audits, we found a significant number of instances where NRCS State and local staff either did not comply with established procedures or relied on other parties, including producers/landowners, to ensure compliance. The NRCS FY 2008 financial statement audit demonstrated that this condition continues.

In an ongoing audit of NRCS' Conservation Security Program (CSP), which was first authorized under the 2002 Farm Bill, we found cases where NRCS may have inadvertently permitted producers to misrepresent their farm operations to obtain additional payments from multiple CSP contracts and, thereby, to receive CSP benefits in excess of payment limitation levels. Instead of verifying the producer's agricultural operations against comparable, readily available data that the producer had provided to FSA, NRCS relied only on the producer's certification of his/her operations. As a result, NRCS overpaid participants in FYs 2006 and 2007 and is scheduled to make additional overpayments over the remaining years of the contracts.

FSA Needs To Use the Results of Its Compliance Reviews To Improve Internal Controls.

Our 2005 audit of FSA compliance activities showed FSA generally did not capture or analyze the results of its various compliance review activities to identify program weaknesses. Most of FSA's compliance review results were not communicated beyond the individual FSA county offices that performed the reviews. FSA at the national level should collect and analyze the review results to (1) identify program weaknesses that FSA can remedy to preclude future improper payments and (2) identify systemic noncompliance trends and direct its limited compliance resources to known problem areas.

OIG AUDIT/INVESTIGATION ACTIONS:

- OIG audit work has identified weaknesses in RHS internal controls when the agency is providing assistance during national disasters. Events such as these provide significant challenges for the agency both in providing assistance to victims as well as ensuring that only those individuals impacted by the disasters receive assistance. We are working with RHS to identify internal control processes that can ensure that victims of disasters receive the help they need.
- Our audit work has disclosed that RMA lacks an effective quality control review system to evaluate private sector delivery of the Federal Crop Insurance Program. We are currently evaluating the quality control review system that AIPs have in place.

- OIG continues to work with USDA agencies to reach management decision on actions needed to address our audit recommendations. One of our primary goals is to ensure that the actions that are agreed to by the agency and OIG are achievable within the required 1-year period.
- We continue to focus our audits on the management control structure within FS. OIG audits, along with those from GAO and special reviews from outside contractors, have found that FS management has not implemented effective corrective action on reported problems. Some of these issues have been reported in multiple reports for over a decade, but their solutions are still being studied and evaluated by FS.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS:

- RD is actively engaged in discussions with FEMA and other Departments to develop computer matching agreements that can prevent and detect duplicate assistance payments. RHS is developing procedures to monitor field office actions following disasters and has also agreed to obtain guidance from OGC to ensure that limited disaster funds are spent on only disaster-related expenditures.
- USDA continues to strengthen its financial management process. OCFO has worked closely with the agencies to improve control measures in order to mitigate errors in financial data and to improve the Department's financial systems.
- RMA has been conducting operations reviews of AIPs' compliance activities and is developing a "rolling" Program Error Rate. RMA plans to complete a review of all AIPs once every 3 years. These operational reviews are to assess the company's compliance with Appendix IV (quality control) and other provisions in the *Standard Reinsurance Agreement*. RMA has developed its review guide and completed the third round of these national program operations reviews for the 2007 reinsurance year. RMA believes that these reviews will provide the first overall program error rate.

In response to ARPA's sanction authority, RMA issued the final rule on its expanded sanction authority on December 18, 2008, which became effective on January 20, 2009.

- FS has reemphasized its management review process in order to assess its operations and to provide management with information on how the agency's internal controls are operating. The size and complexity of the FS operation will require a long-term commitment by agency management.
- Beginning for the 2007 crop year, FSA implemented a new statistical compliance review and spot check selection process. FSA reports that, during the first quarter of FY 2009, FSA completed its first (2007) compliance review cycle under the new process, including analysis of the compliance review results. The findings from the 2007 compliance reviews and spot checks were entered and stored in a National Compliance Review Database and summarized by a statistician in a 2007 Noncompliance Report, which was analyzed by FSA specialists from each program area to identify any discrepancies and

weaknesses; trends of noncompliance; areas of concern; and any corrective action that may be needed. FSA prepared a report of the analysis conducted for each activity/program. FSA plans to implement the same process (of review analysis) annually for future crop years, and each program area will provide guidance to field offices of any corrective actions that may be warranted. The results from the 2007 compliance reviews and spot checks shall serve as a baseline for comparison to future years' reviews and spot checks.

In its 2007 Compliance Review and Spot Check Analysis Report, FSA stated it was generally pleased with the new process and results, although FSA acknowledges it may need to make adjustments or enhancements to the process. For example, FSA stated it can work with the statistician to make adjustments to the National Producer Selection process, as needed, to ensure a representative sample of producers from all program areas are included in the process so FSA may achieve accurate results. Regardless, FSA stated it feels the new compliance process as a whole is a more efficient and effective means to monitor compliance and ensure the integrity of FSA programs.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE:

- RHS needs to complete computer matching agreements with other agencies that provide disaster response and relief. To date, RHS has completed one computer match Memorandum of Understanding (MOU) with the Department of Housing and Urban Development (HUD). The RHS/HUD MOU is limited to disaster assistance provided during the previous disasters of Katrina and Rita and does not apply to future disasters. RHS also needs to complete new RHS procedures to monitor and control assistance in response to disasters.
- RMA needs to continue its effort to establish a consistent and comprehensive review process to be used by all reinsured companies. RMA also needs to implement a system to evaluate the overall effectiveness and reliability of quality control reviews performed by the companies.
- USDA and its agencies need to ensure that their proposed management actions address audit recommendations and are structured so that they can be achieved within agreed-upon timeframes.
- USDA agencies need to continue to improve their financial systems so that the financial information produced by these systems will allow them to prepare complete, accurate financial statements without extensive manual procedures and adjustments.
- FS and NRCS both need to improve their management controls in order to effectively manage resources, measure progress towards goals and objectives, and accurately report accomplishments.
- FSA needs to use the results of and lessons learned from the first cycle of its new compliance process to refine the process and better ensure the integrity of FSA programs.

CHALLENGE: CONTINUING IMPROVEMENTS NEEDED IN INFORMATION TECHNOLOGY SECURITY

SUMMARY: USDA depends on information technology (IT) to efficiently and effectively deliver its programs and provide meaningful and reliable financial reporting. Managing and securing USDA's vast array of networks and IT resources is a major challenge coupled with significant risk. Despite progress, the Department's systems and networks continue to be vulnerable. Since FY 2003, the Department has consistently received a grade of "F" on the *Report Card on Computer Security at Federal Departments and Agencies* published by the House Committee on Oversight and Government Reform. Audits of the Department's systems have continued to identify weaknesses that could seriously jeopardize operations and compromise the confidentiality, integrity, or availability of sensitive information.

OIG AUDIT/INVESTIGATION ACTIONS: OIG continues to conduct IT security audits to monitor agencies' compliance with Federal mandates, as well as perform investigations of IT security breaches involving such activities as IT intrusions and equipment thefts. Our audits of *Compliance with the Federal Information Security Management Act, Management and Security of Wireless Devices, and Office of the Chief Information Officer (OCIO) IT General Controls* have found that, despite strong guidance provided by OCIO, agencies' implementation of IT security requirements continues to be problematic. We found inaccurate systems inventories; inadequate security plans, disaster recovery plans, and risk assessments; noncompliance with certification and accreditation requirements; inadequate change controls, patch management, Privacy Act implementation, and incident response; and nonperformance of vulnerability scans. Although agencies have accelerated efforts to comply with Federal information security requirements, IT management and security continues to be a material weakness within USDA.

GAO conducted a review of FSA's IT systems, *Information Technology: Agriculture Needs to Strengthen Management Practices for Stabilizing and Modernizing Its Farm Program Delivery Systems* [GAO-08-657, issued May 16, 2008]. GAO reported that interruptions of service experienced during FY 2007 were caused by varying factors including aging equipment, inability to monitor network performance, poor training of personnel, inadequate testing of payment delivery systems, and lack of a backup site if an interruption occurred. FSA was aware that, if not corrected, some of these factors may continue to cause service interruptions. GAO further stated that USDA and FSA have drafted a remediation plan and have started to address these issues. However, it is still uncertain how long the modernization initiative will take to implement and how much it will cost.

OIG's National Computer Forensic Division (NCFD) continues to work closely with USDA OCIO Cyber Security concerning Data At Rest (DAR) encryption and its impact on law enforcement operations. In recent years the Federal Government has mandated that agencies implement policies and procedures to safeguard personally identifiable information (PII) and sensitive data. These policies are a result of OMB Memorandum M-06-16 issued on June 23, 2006, stating that all DAR have to be secured through encryption and other safeguards. This effort has made access to Government data even more challenging during an investigation. The

NCFD is working with OCIO Cyber Security to ensure that OIG investigations will have access to encryption/decryption keys in a manner that requires very little, if any, agency involvement.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: According to USDA's OCIO, significant accomplishments to address IT security have been achieved. These accomplishments include an increased management focus via a newly implemented security program scorecard, improved information systems and information technology inventories, improved plan of action and milestone processes, automated information systems risk categorization, system and program reviews, and other actions. OCIO has made significant improvements in the Certification and Accreditation (C&A) concurrency process that has resulted in better C&A documentation. Also, OCIO has made improvements in increasing employee awareness of PII and the responsibilities for protecting it by creating a PII awareness campaign, reporting more incidents, and increasing risk mitigation activities for vulnerabilities. Currently, OCIO is implementing a new software tool that OCIO expects will provide significant program improvements over information technology security once it is fully functional.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE: The Department needs to coordinate with all of its agencies, determine the overall risks, prioritize those risks, and develop and implement a time-phased plan to systematically mitigate identified risks. With agency cooperation and acceptance, improvements could be achieved in compliance with required standards, plan of action and milestones reporting, risk-level characterization, C&A processes, Privacy Act implementation and encryption, and configuration management.

In addition, agency-level managers should continue to consider IT security a top priority and display greater commitment and attention to ensuring compliance with federally mandated IT security requirements to reduce the level of vulnerability. Specifically, agencies need to ensure that the requirements of OMB Circular No. A-130, *Management of Federal Information Resources*, are fully met.

CHALLENGE: DEPARTMENTAL EFFORTS AND INITIATIVES IN HOMELAND SECURITY NEED TO BE MAINTAINED

SUMMARY: Continuing concern about potential terrorist threats have added a new dimension to USDA's missions and priorities—in particular, its missions to ensure the safety and abundance of the Nation's food supply from the farm to the table and to protect the health of American agriculture from the introduction of foreign animal and plant pests and diseases. The National Strategy for Homeland Security provides a framework for prioritizing the use of Federal resources based on the highest threats and risks. Critical mission areas are defined as intelligence and warning, border and transportation security, domestic counterterrorism, protecting critical infrastructure and key assets, defending against catastrophic threats, and emergency preparedness and response.

For FY 2009, USDA homeland security missions were funded at over \$507 million. The areas that USDA's Homeland Security Office (HSO) and agencies have focused on are part of the Food and Agriculture Defense Initiative. Many of the activities are mandated under the Public Health and Bioterrorism Preparedness and Response Act of 2002—for example, enhancing the capability to respond in a timely manner to bioterrorist threats to the food and agricultural system and developing an agricultural bioterrorism early warning surveillance system.

USDA agencies must continue to work together to develop a better understanding of changing risks and threats. USDA must continue to foster effective coordination and communication across agency and other Department lines to ensure effective implementation of ongoing and future homeland security initiatives. For example, the Department is coordinating and monitoring efforts to implement the animal and plant disease diagnostic and reporting networks required by Homeland Security Presidential Directive-9.

OIG AUDIT/INVESTIGATION ACTIONS: Building on its earlier progress, USDA must continue its efforts to identify its assets, conduct thorough security risk assessments, and establish appropriate safeguards to prevent or detect deliberate acts to contaminate the food supply, disrupt or destroy American agriculture, or harm U.S. citizens. At the same time, USDA and DHS must continue to address weaknesses in their border inspection activities to guard against the unintentional introduction of pests, diseases, and contaminants on imported products.

Commodity Inventories. In our February 2004 audit of homeland security issues regarding USDA commodity inventories, OIG reported that FSA needs to conduct vulnerability and risk assessments to determine the appropriate levels of protection for these agricultural commodities. We also reported that FSA needs to formulate clear directions on food safety and security for the commodities that it manages, handles, transports, stores, and distributes. Although FSA agreed with our recommendations, resource and budgetary constraints delayed actions to address this concern.

Select Agents and Toxins. In June 2005, OIG issued an audit of APHIS overall implementation of regulations governing the possession, use, and transfer of biological agents and toxins, which could pose a severe threat to animal and plant health or to animal products. We reported that APHIS did not implement controls over permits that were compatible with requirements of the listed agents and toxins program. Due to the sensitive nature of the select agent program, we plan to initiate a follow-up audit to evaluate the corrective actions taken.

Agriculture Quarantine Inspection Activities. OIG audits conducted prior to the transfer of APHIS inspection duties to DHS disclosed serious control weaknesses at American borders and ports of entry for agriculture and other food products. Although the inspection function at borders and ports of entry was transferred to DHS, APHIS retains functions such as quarantine, risk analysis, destruction and re-exportation, user fees, and adjudication of violations. USDA-OIG and DHS-OIG issued a report in February 2007, that assessed how well CBP communicated and cooperated with USDA on issues relating to agricultural inspection policies and procedures, complied with established procedures for agricultural inspections of passengers and cargo, and accurately tracked agricultural inspection activities. The audit also reviewed whether CBP had taken corrective action on issues reported by USDA prior to the transfer of the responsibilities to CBP. We were able to resolve many of the prior issues/recommendations; however, we found other issues had not been fully addressed.

In May 2006, GAO reported that CBP and APHIS continued to experience difficulty sharing information such as key policy changes and urgent inspection alerts. GAO recommended that DHS and USDA work together to establish processes and procedures for sharing urgent information, assessing inspection effectiveness, and identifying major risks posed by foreign pests and diseases at ports of entry. GAO also recommended developing and implementing a national staffing model to ensure that agriculture staffing levels at each port are sufficient to meet those risks. These recommendations remain open.

Avian Influenza. In our June 2006 review of APHIS' oversight of avian influenza (AI), we concluded that APHIS has made commendable progress in developing plans and establishing the networks necessary to prepare for, and respond to, outbreaks of AI.

With regard to its National AI Preparedness and Response Plan (Response Plan), we reported that APHIS needed to provide additional guidance on preparing and responding to highly pathogenic AI (HPAI) or notifiable AI outbreaks in live bird markets or other "off-farm" environments. As of July 2009, APHIS has not fully implemented this recommendation.

In our January 2008 audit of *USDA's Implementation of the National Strategy for Pandemic Influenza*, we found that APHIS still needs to coordinate with the Homeland Security Council (HSC) to reassign a task identified to be outside of USDA's authority.

In June 2007, GAO reported that although USDA has made strides in preparing for potential outbreaks, better planning at the Federal and State levels could improve response. For example, USDA was not planning for DHS to assume the lead role if there were an outbreak among poultry serious enough to warrant a Presidential declaration of an emergency. However, a presidential declaration of an emergency is within the President's authority, and these declarations require DHS to assume responsibility for directing the response. In addition, States'

plans lacked important components that facilitate containment of AI. GAO recommended that DHS and USDA develop a memorandum of understanding that describes how they will work together in the event of a Presidential emergency. USDA, in consultation with other Federal agencies and the poultry industry, should identify the capability needed to respond to a probable scenario for a HPAI outbreak. As of July 2009, these recommendations remain open.

Importation and Movement of Live Animals. APHIS' controls over live animal imports need improvement to prevent, detect, and address the entry of live animals not meeting import requirements. APHIS relies on country-of-origin health certificates certifying the animal's health condition, age, and that U.S. import requirements are met; but it does not have adequate processes in place to follow up and determine whether individual problems detected represent a larger systemic noncompliance. APHIS could not always demonstrate that all restricted animals are slaughtered. Also, we found inadequate accountability over the inventory and issuance of official USDA seals used to secure the movement of restricted animals after inspection at the port of entry.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS:

In FY 2008, the Department developed standard operating procedures for performing inspections and conducted select agent security training for inspectors. In FY 2009, the Department plans to implement an annual Compliance Inspection Program for all agriculture registered entities. In FY 2008, an APHIS strategic plan was prepared to include detailed goals, objectives, and activities for addressing AI during FY 2009 through 2012. APHIS also revised guidance related to internal (State-Federal) communication of foreign animal disease outbreaks and indicated the specific responsibilities of the State animal health official, the Federal area veterinarian in charge, the foreign animal disease diagnostician, diagnostic laboratories, and Federal regional offices and headquarters.

APHIS plans to issue a manual which will detail the live bird marketing system to include specific biosecurity measures that should be implemented to (1) prevent or mitigate the spread of high consequence diseases; (2) respond to highly contagious diseases, including cleaning and disinfection protocols; and (3) develop a continuity of business plan for an outbreak. The outbreak surveillance response for HPAI includes surveillance in the live bird market system and other off-farm surveillance. APHIS plans to develop an animal disease incident planning system to provide a framework for existing documents, such as emergency management guidelines and disease-specific response plans (HPAI and foot-and-mouth disease). Finally, APHIS plans to prepare proactive risk assessments for the movement of eggs and egg products to facilitate business continuity.

In FY 2008, the Department strengthened controls over live animal imports. APHIS updated health certificate requirements for horses imported from Canada, developed a protocol for moving Canadian cattle to Mexico, and also issued an alert on "Inspection Procedures for Bovines from Canada at Canadian Land Border Ports of Entry."

As needed, USDA plans to collect monthly data on Canadian cattle import discrepancies and implement resolution. The Department also plans to develop a Veterinary Services (VS) Process

Streamlining Live Animal Import Module to contain records of all live animal entries and refusals. In addition, USDA plans to develop a secure electronic data exchange. This data exchange will be incorporated into VS specific animal health and surveillance systems and will support the ability to exchange import and export trade information. Finally, USDA will develop protocols with the Canadian Food Inspection Agency to evaluate zoning policies and procedures for Foreign Animal Diseases in either country.

In response to our audit of homeland security issues relating to USDA commodity inventories, FSA has, since 2005, collaborated with DHS, the Food and Drug Administration, and the Federal Bureau of Investigation, as well as private industry and State governments in the Strategic Partnership Program Agroterrorism (SPPA) Initiative to conduct risk assessments for the various sectors with which FSA is involved, to identify sector-specific vulnerabilities through critical infrastructure/key resource assessments, and to develop sector-specific mitigation strategies to reduce the threat of attack. To date, SPPA Initiative risk assessments have been conducted for sectors including the export and country grain-elevator sectors, the processed commodity sector, and the sugar beet sector. FSA will continue to monitor these sectors, as required. Each of the risk assessments will be reviewed with the industry on a biennial basis to check on progress in implementing mitigation practices. FSA has used the results of the completed assessments to formulate action plans on food safety and security, and to establish safeguard requirements for the commodities that it manages, handles, transports, stores, and distributes. In FY 2008, FSA completed security clearances for current employees involved in the risk assessment process and in inventory management activities. A process is in place to ensure future employees will have the appropriate security clearances.

In response to our *Select Agent Audit, Phase II*, APHIS completed the re-inspections of registered entities to ensure compliance with regulations regarding security over select agents. APHIS also completed the joint APHIS-Centers for Disease Control and Prevention (CDC) inspection checklist to verify that entities have reviewed security plans annually and updated their plans as needed based on tests and drills. Finally the joint APHIS-CDC checklist addressed our concerns over select agent inventory controls.

In response to the President's National Strategy for Pandemic Influenza, APHIS developed its Response Plan to address the threat of AI. APHIS has characterized it as a "living document," subject to revision, that establishes a comprehensive approach to manage an outbreak of HPAI on a large commercial poultry operation. APHIS is also coordinating and establishing AI surveillance networks with other Federal, State, and private entities. APHIS is working with Federal and State cooperators in developing strategies for monitoring migratory birds, as well as working internationally to provide outreach, education, and technical assistance. APHIS clarified actions that employees should take in obtaining and administering necessary vaccines and anti-virals in the event that a culling operation for HPAI occurs. APHIS has performed and documented an analysis that identifies gaps in sampling surveillance. APHIS issued the *National Avian Influenza Surveillance Plan*, dated June 29, 2007, which includes goals, objectives, data collection and analysis methodologies, reporting of surveillance results, and assessment of surveillance programs.

In order to ensure the accuracy of information reported to HSC, APHIS requires first-line supervisor clearance prior to submission. APHIS provided HSC with corrected information for the inaccurately reported tasks. APHIS has proposed to HSC, and it has agreed to use, QuickPlace³ to track all future action items for all Departments. This will allow HSC to monitor its lead action items and the actions it is responsible for as a support agency. HSC will make this a voluntary system initially. APHIS will report completed action items for which HSC are assigned support functions to ensure USDA's interests are considered appropriately. APHIS agreed that testing is essential to assess readiness. APHIS provided evidence of the tests of actual procedures during a simulated HPAI outbreak that would supplement tabletop exercises. APHIS formalized its procedures to update its notification Website.

In response to our review of the importation and movement of live animals, APHIS agreed to compile and analyze information on all health certificate issues, track policy noncompliance to assess trends, and issue instructions to CBP on requirements for Canadian horses imported under a temporary authorization. APHIS also agreed to (1) establish a new protocol for inspections at Mexican ports of entry to amend the import documents to reflect only those animals that were allowed into the United States; (2) issue instructions to reconcile USDA seals; and (3) issue instructions on the inventory, control, and use of USDA seals. Finally, APHIS agreed to update the list of slaughter establishments approved to receive imported animals, standardize the process for alert of pending re-inspections, complete a port operations manual, and amend procedures to include a port facility checklist to improve oversight of port operations.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE:

Commodity Inventories. FSA needs to implement commodity inventory systems that provide critical homeland security features, such as timely and effective reporting of significant details about inventory changes. FSA reports that USDA has joined forces with the U.S. Agency for International Development and the Maritime Administration to implement a modern Web-based supply chain management system (WBSCM) with procurement, order delivery, and finance functionalities, including inventory management for all processed commodities. The build phase began in August 2008 and will continue throughout 2009. However, FSA expects that it will not decide whether to include bulk commodities in WBSCM until the end of 2010 or early 2011. (Since the system is not projected to go live until February 2010, FSA needs to allow the Commodity Operations staff an opportunity to use the system and applications in the production environment for a few months before making this determination.)

Select Agents and Toxins. APHIS needs to issue permits for listed agents or toxins that identify the registered entity and the responsible official and update the regulations to include this requirement.

³ QuickPlace is a central Web-based repository that is accessible by authorized users to collaborate, share ideas, and document and track project tasks.

Agriculture Quarantine and Inspection Activities. USDA and DHS need to work together to strengthen controls and communication, develop the necessary processes and procedures to assess inspection effectiveness, and identify major risks posed by foreign pests and diseases at ports of entry.

AI Surveillance Activities. APHIS needs to revise its Response Plan to include detailed instructions for handling HPAI occurrences in live bird market systems and other “off-farm” environments.

APHIS needs to coordinate with HSC to reassign a task identified as outside USDA’s authority.

Importation and Movement of Live Animals. APHIS needs to develop an automated system to track problems with imported animals, develop procedures to perform reviews of Canada’s export operations, and coordinate with CBP officials at the northern border to ensure that all animal shipments are properly inspected. APHIS also needs to implement procedures for reconciling all import-restricted animals and reconciling discrepancies identified. APHIS should also develop procedures to reject entire shipments if port officials cannot confirm that the animals tested negative for diseases such as tuberculosis. In addition, APHIS needs to automate inspection results for rejected animals from Mexico. Finally, APHIS needs to inventory, reconcile, and account for missing USDA seals.

CHALLENGE: MATERIAL WEAKNESSES CONTINUE TO PERSIST IN CIVIL RIGHTS CONTROL STRUCTURE AND ENVIRONMENT

SUMMARY: In 2005, OIG removed the challenge for Civil Rights (CR, which is now known as the Office of Adjudication and Compliance) from the list of management challenges facing the Department. The premise behind the challenge was that complaints had not been timely addressed and there had been a backlog of old complaints. Two reports issued in 2005 documented that the Assistant Secretary for Civil Rights (ASCR) had developed 13 initiatives to address these longstanding problems, including the backlog. In a report issued in May 2007, however, OIG found that although CR's processing time to complete a case has fallen from 3 years in 1997 to slightly under 1.5 years in 2006, its efforts have not been sufficient to ensure that employee civil rights complaints are effectively tracked and timely processed. This could reduce the public's confidence in USDA's ability to administer civil rights programs. As a result, OIG reinstated this challenge in 2007. Further, in a memorandum to all USDA employees dated April 21, 2009, the Secretary of Agriculture stated that civil rights is one of his top priorities. He noted that more than 14,000 complaints have been filed since the decade started and approximately 3,000 have yet to be processed. The Secretary is committed to taking action to improve USDA's record on civil rights.

OIG AUDIT/INVESTIGATION ACTIONS: In our most recent audit report issued in May 2007, we found that material weaknesses persisted in CR's control structure. Specifically, CR had not (1) established the necessary framework to monitor the processing of complaints and to intervene when established timeframes were not met, (2) sufficiently strengthened its controls over the entry and validation of data in its information system, and (3) established adequate controls to ensure case files could be timely located and the files contained the required documentation. As a result, CR cannot effectively track and timely process employee civil rights complaints.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: We found that in 2006, CR's processing time to complete a case averaged about 1.5 years (504 days), which represents a significant improvement over the processing time of 3 years reported in 1997. In February 2005, CR began implementation of the Civil Rights Enterprise System (CRES), a Web-based application that allows USDA agencies and CR to use one automated system for processing and tracking equal employment opportunity (EEO) complaints at both the informal and formal stages.⁴ In a report issued in 2000, we had reported that CR had its tracking system and the agencies had their own systems, with CR tracking EEO complaints that were not in the agencies' systems and the agencies having complaints that were not in CR's system. Prior to implementing CRES, agencies did not have a system to track informal EEO complaints.

On May 14, 2008, GAO officials testified on their assessment of USDA's progress in addressing long-standing civil rights issues. GAO's testimony focused on ASCR's continuing problems in resolving discrimination complaints, the accuracy of its reports on minority participation in

⁴ In addition to tracking EEO complaints, CRES also tracks program complaints and alternative dispute resolution matters.

USDA programs, and the adequacy of its strategic planning process in assessing performance progress and gaps. A GAO official testified again on April 29, 2009, reiterating its prior assessments of ASCR's difficulties in resolving discrimination complaints. GAO did acknowledge, however, that the new Secretary of Agriculture is committed to improving the management of civil rights at USDA and that the Secretary pledged to dedicate the resources necessary to achieve this improvement. The ASCR also testified and presented his plan for addressing GAO's prior recommendations. The plan included many of the actions detailed in the Secretary's memorandum issued April 21, 2009, on a new civil rights era for USDA.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE: CR should develop a detailed formal plan to process employment complaints timely and effectively in collaboration with agencies. CR should also implement a monitoring framework to track the processing of complaints so that the agency can intervene when timeframes are not being met. To strengthen controls over the entry and validation of data in CRES, CR needs to identify the business rules and implement a plan for testing and applying these rules. In addition, CR needs to implement a process for validating the accuracy of information entered in CRES. CR needs to develop procedures to control and monitor case file documentation and organization, including procedures to document which CR divisions or units are responsible for documents in the file folder.

In the Secretary's April 21, 2009, memorandum and recent ASCR testimony, initial steps were outlined to improve EEO, civil rights, and program delivery in USDA. Proposed actions include: obtaining an independent external analysis of program delivery; creating a task force to conduct a review of a sample of program civil rights complaints; the ASCR placing top priority on processing complaints; temporarily suspending foreclosures to afford the Department time to review loans involving possible discriminatory conduct; and requiring the ASCR to design and implement management controls to ensure that complaints are handled in a consistent manner within specific timeframes.

CHALLENGE: USDA NEEDS TO DEVELOP A PROACTIVE, INTEGRATED STRATEGY TO HELP AMERICAN PRODUCERS MEET THE GLOBAL TRADE CHALLENGE

SUMMARY: In the Department’s strategic plans for FYs 2002 through 2007 and for FYs 2007 through 2010, increasing export opportunities for U.S. agriculture was listed at the top of the Department’s strategic goals. Over the past several years, U.S. agricultural exports have increased significantly in total dollars due to adverse weather conditions in other major agricultural production areas, a decline in the value of the U.S. dollar, developing countries (like China and India) having more income to purchase foods. Expanding global markets should increase demand for agricultural products and, therefore, lead to greater economic stability and prosperity for America’s producers.

However, in our March 2007 report on the Department’s implementation of the 2002 Farm Bill trade title provisions, we reported that the Department had not implemented a process to integrate its current country-specific marketing strategies into a focused global strategy to more effectively respond to changing trends in global markets. In a February 2007 report, we recommended that the Department needed to strengthen its trade promotion programs and outreach efforts. In addition, the Department needs to develop a global trade strategy to address the increased export opportunities and competition in global markets.

The share of American crop land devoted to cultivating biotechnology derived or genetically engineered (GE) crops has consistently grown. In 2008, American producers planted around 154 million acres with GE crops, or 53 percent of the total global biotechnology derived acreage. This achievement was spurred by a growing market for ethanol using GE corn. For agricultural commodities such as soybeans and corn, U.S. production has largely become GE-based. For 2008, GE corn constituted 80 percent of the corn planted, GE cotton constituted 86 percent of the cotton planted, and GE soybeans constituted 92 percent of the soybeans planted. American farmers continue to face increasing competition from GE crops grown abroad. Between 1996 and 2008, worldwide growth in GE planted acreage increased by 74 percent. In 2008, the number of countries planting GE crops had increased to 25.

Recognizing the increasing reliance of American agriculture on the global trade market and the increasing importance of GE crops to the American agricultural sector, the 2002 Farm Bill mandated a number of general and specific trade initiatives in these areas. The 2002 legislation required a long-range agricultural global market strategy building on the policies of the 1996 Farm Bill, which established an “agricultural export promotion strategy” to take into account new market opportunities for agricultural products. The 2002 Farm Bill also included specific provisions on biotechnology—developing a biotechnology and agricultural trade program, funding biotechnology use in developing countries, and educating consumers about the benefits and safety of these products. The 2008 Farm Bill still requires most of the 2002 Farm Bill provisions dealing with biotechnology; however, the 2008 Farm Bill repealed the biotechnology and agricultural trade program and the program to fund public education on the benefits of agricultural biotechnology.

Because of the concern that GE traits, particularly regulated or non-approved traits, inadvertently appear in agricultural commodities sold to foreign markets, the need for strengthened monitoring over field trials is critical. The Department has faced a number of legal challenges to issuing field-testing permits. In response to legal challenges, in July 2007, the Department issued a draft environmental impact statement as mandated under the National Environmental Policy Act, accompanied with a request for comments on its proposed field testing permit procedures.

USDA faces significant challenges not only in monitoring field trials to preclude inadvertent release to other crop production, but also in promoting trade of all American agricultural commodities, overcoming trade barriers in well-established markets, educating the domestic and international public about the safety concerns and benefits of biotechnology, coordinating the regulatory frameworks for GE crops, conducting outreach efforts about the safety of GE crops, and cultivating new markets.

To meet these challenges, USDA must balance several goals, such as (1) developing, expanding, and implementing business processes to formulate marketing strategies at a worldwide level; (2) maintaining adequate accountability for GE-regulated and non-regulated crops; and (3) educating the public as to the health and safety of the American food supply, particularly agricultural biotechnology.

OIG AUDIT/INVESTIGATION ACTIONS:

Strengthening Controls Over Field Trials. During our review of USDA's monitoring of GE-regulated crops, we evaluated how USDA issued genetically engineered organism (GEO) release notices and permits, which are required to ship or field test regulated GEOs. We found that the Department needs to strengthen its controls over the entire process, from how it handles permit and notification applications to how it oversees the devitalization (i.e., procedure rendering plants or plant products incapable of germination, growth, or further reproduction) of GE crops under approved notifications and permits. We have agreed to management decision on all recommendations in the audit report. For many of these recommendations, our agreement was based on the Department's interim actions. The Department's long-term corrective action is to issue revised regulations for GE field releases in a final rule in the CFR and to issue policies and procedures in a revised users guide. The Department currently anticipates it will release the changes as a final rule in the CFR by December 2009.

Implementation of the Trade Title of the 2002 Farm Bill. During this review, we found that the Department had implemented most of the 2002 Farm Bill amendments relating to trade programs, except that it had not developed a business process to ensure that the Global Market Strategy requirements of the 2002 Farm Bill are being met. Specifically, the Department needed to coordinate its resources and programs with other Departments to identify opportunities for agricultural exports and to remove trade barriers.

Strengthening Trade Promotion Operations. This review, which was initiated in response to a request from Congress, examined the extent to which the Department—through its market development programs—fosters expanded trade activities in exporting agricultural products. We

found that the Department does not formally track its efforts to expand trade export. Instead, the Department has relied on industry trade groups and other partners to disseminate the information to foster U.S. trade activities.

Export of Genetically Engineered Crops. In our February 2009 report of GE crop exports, we found that USDA did not have a coordinated, comprehensive strategy to address the challenges U.S. producers face when exporting GE commodities. We concluded that an effective export strategy would need to include elements such as (1) a clear purpose, scope, and methodology; (2) a statement of the problems; (3) desired goals and outcome related performance measures and resources; and (4) well-integrated internal and external partner accomplishments. In section 7505 of the 2002 Farm Bill, USDA was required to implement a program that offered grants to develop biotechnology for developing countries. The 2008 Farm Bill extended the authority to appropriate such sums as may be necessary to carry out programs for each fiscal year through 2012.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: The Department has stated that it is eliminating the current notification-and-permit system in favor of a multi-category permit system and that the proposed system needs to be published in the *Federal Register* before being finalized. APHIS hopes to complete this process by late 2009. The Department also agreed to implement interim corrective actions to clarify reporting requirements and to complete work on the management information system so it can record necessary information such as the specific location of each field site and the dates of significant events.

With respect to implementing the trade title of the 2002 Farm Bill, the Department stated that it has undertaken several initiatives to support a USDA global strategy. Specifically, the Foreign Agricultural Service (FAS) initiated a comprehensive reorganization of structure to enhance the competitiveness of U.S. agricultural producers and to be in line with USDA's strategic objectives. Starting in 2006, FAS introduced a process to develop an integrated strategy to synthesize not only priorities from within the agency and the Department, but also from external stakeholders, such as private companies, non-Government entities, other Governments, and multilateral organizations. FAS, however, has not fully implemented the audit recommendations related to a global strategy and had not held the required consultations with congressional committees every 2 years.

In its response to our trade promotion report, the Department stated that it has begun to catalogue information systems that support the mission to expand U.S. agricultural exports. The Department also stated that it will review the mechanisms needed to support Government Performance and Results Act reporting related to market access issues. The Department is completing its review of other data and reporting mechanisms.

For exports of genetically engineered crops, the Department plans to complete a strategy in August 2009.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE: In its response to our 2002 Farm Bill Trade Title report, FAS expressed general disagreement with the conclusions reached, citing the use of questionable data and "misunderstandings or misrepresentations" of the export strategies used to make funding decisions for market access programs. USDA should—in

consultation with Congress—analyze and reassess its strategic goals and marketing strategies as a whole in order to regain, to the extent possible, U.S. competitiveness in global agricultural exports. To better promote the export of agricultural crops, USDA needs to develop a coordinated and consolidated global market strategy, including guidelines and strategies to deal with countries reluctant to import GE crops and to open new markets willing to import American agricultural products, particularly high-value and processed products. Although the Department is developing an integrated strategy, that strategy to be effective needs to incorporate a regional and global level in addition to the country level.

To strengthen USDA's oversight of regulated GE crops, the Department needs to expeditiously issue the final rule implementing many of our audit recommendations. We continue to monitor that process and, where appropriate, provide feedback on the pending regulations. The Department also needs to complete work on the management information system and ensure that it is capable of recording necessary information related to field sites, including the specific location of each field site and the dates of significant events.

CHALLENGE: BETTER FOREST SERVICE MANAGEMENT AND COMMUNITY ACTION NEEDED TO IMPROVE THE HEALTH OF THE NATIONAL FORESTS AND REDUCE THE COST OF FIGHTING FIRES

SUMMARY: In recent years, the average costs to fight wildfires have exceeded more than \$1 billion per year. In 2008, FS spent \$1.46 billion for wildland fire suppression. FS efforts to contain firefighting costs are affected by several issues: climate change, an increase in hazardous fuels occurring on Federal lands, and population growth in rural communities in the wildland urban interface (WUI). Addressing these key issues is critical if FS is going to be successful in reducing both the severity of wildland fires and the cost of fighting these fires. An additional challenge facing FS is fire safety; as the intensity of fires increases and the agency is called upon to suppress fires in urban areas, the danger to firefighters has increased.

OIG AUDIT/INVESTIGATION ACTIONS: We completed our audit of large-fire suppression costs in November 2006. Our review identified that the major cost driver of suppression costs has been unregulated development in the WUI. Improperly planned and unregulated growth in the WUI significantly increases the risks these communities face from wildfires. Because of the increased risk, FS must spend more money to prevent wildfires from reaching these areas and more money protecting the communities when wildfires do reach them. If not for the threat to the WUI, FS could use less expensive fire-suppression tactics, such as letting some fires burn out naturally. It is critical that FS work with local communities to ensure that private landowners take steps to reduce the risk of fire on private property adjacent to Federal land. In addition, we found that FS needs to modify policies which unduly restrict use of fire to reduce hazardous fuels on FS land. We also found that the agency lacked effective cost-containment controls: managers' and incident commanders' decisions and oversight were neither tracked nor evaluated, agency performance measures and reporting mechanisms did not allow FS management to assess the effectiveness of its wildfire suppression cost-containment efforts, and cost-containment reviews had limited effectiveness.

Our 2006 audit of FS' *Implementation of the Healthy Forest Initiative* evaluated the agency's efforts to reduce hazardous fuels on Federal land. Deteriorating forest health has resulted in the unnaturally heavy accumulation of hazardous fuels. While FS' 2008 budget for hazardous fuels reduction was \$297 million, it has been estimated that hazardous fuels are accumulating three times faster than they can be treated. FS has traditionally allocated hazardous fuel reduction funds based, in part, on historical funding allocations and treating the most acres. These factors do not necessarily address areas that may have the most risk of major wildfires. Treatment of high-risk areas may cost more for fewer acres, but it may do more to reduce the potential for catastrophic fires than treatment of a large number of low-risk acres. FS needs to change its funding approach for fuel-reduction projects to recognize the potential risk to forest resources and private property. This will help ensure that the limited funds are better targeted to reduce the potential for catastrophic fires.

Other audits that we have recently completed related to fire-suppression activities concluded that FS needed to improve its controls over the use of firefighting contract crews and the use of Emergency Equipment Rental Agreements (EERA). The audit related to contract crews concluded that significant improvements were needed in safety training for these crews. Our review of EERA found that by using a combination of best practices, FS can lower costs for equipment and supplies it obtains through the EERA process. Our 2008 audit of *FS' Air Safety Program* determined the agency needed to make improvements in its program. Primarily, FS needed to develop and implement an airworthiness assessment, inspection, and maintenance program geared towards the particular demands of the firefighting flight environment. In our audit of *FS' Plan for Replacement of Firefighting Aerial Resources* (Audit No. 08601-53-SF, issued July 16, 2009) we concluded that the agency needed to strengthen both its justification for acquiring aerial resources and its ability to collect funds to repair and replace them once procured.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: In response to audit recommendations, FS has implemented policies and procedures designed to contain wildfire-suppression expenditures and to increase accountability for suppression operations. FS has developed new strategic performance measures and increased the emphasis on cost accountability. Also, FS has increased the level of management oversight on large fires and initiated significant changes in its wildfire cost-containment reviews. The agency has implemented a formal training program for personnel who conduct cost-containment reviews with the emphasis focusing on cost drivers and the impact of fire-suppression strategies. In 2008, FS worked with other land management agencies to establish an inter-agency set of standards for reviewing costs of large wildfires. Incident commanders now have performance standards that assess whether the tactics employed represented cost-effective use of resources. FS is also placing more emphasis on wildland fire use (WFU). Also, FS practices allow managers to switch between suppression tactics and WFU as each situation evolves. In the past, once a strategy of suppression was chosen the manager was not allowed to change even if the situation warranted. FS is developing a fire program system to economically allocate resources and a LANDFIRE⁵ system to provide data to use in order to target fire and resource projects more effectively.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE: Top Department and FS management officials need to work with Congress and other land management agencies to find ways to convince State and local governments to enact and enforce firewise building and zoning codes in areas threatened by wildland fire. FS also needs to work with other land management agencies and State and local governments to conduct hazardous fuels reduction projects in those areas where they will have the greatest impact on reducing risk. FS also needs to continue to improve its internal controls over wildland fire expenditures and the delivery of systems to help managers improve cost-containment decisions. FS needs to ensure that it directs its human and physical resources to effectively address the changing environment of forest health and the expanding WUI.

⁵ LANDFIRE, also known as the Landscape Fire and Resource Management Planning Tools Project, is a 5-year, multi-partner project to produce consistent and comprehensive maps and data describing vegetation, wildland fuel, and fire regimes across the United States. It is a shared project between the wildland fire management programs of the Department of Agriculture's Forest Service and the U.S. Department of the Interior.

CHALLENGE: IMPROVED CONTROLS NEEDED FOR FOOD SAFETY INSPECTION SYSTEMS

SUMMARY: The safety of the Nation’s food supply and the adequacy of its Federal inspection systems is a major concern of consumers, Congress, and other stakeholders due to recent food-borne illness and food contamination events. FSIS must demonstrate that its information and data systems, management controls, and inspection processes are adequate to support its assessments of the adequacy of slaughter and processing hazard controls and production processes.

Since 1998, the Federal meat and poultry inspection program has operated under the Hazard Analysis and Critical Control Point (HACCP) system. Under HACCP, each slaughter and processing establishment is responsible for designing a food safety system that complies with sanitation standards and procedures, HACCP requirements, and pathogen reduction requirements. FSIS is responsible for verifying that each establishment’s food safety system is operating in compliance with the regulations and in a way that will result in safe and wholesome products. FSIS is moving towards a risk-based inspection system as its next step to modernize the inspection process and has stated that HACCP is the foundation of this risk-based initiative.

Since 2000, OIG has recommended that FSIS implement a system of oversight for HACCP plans that establishments develop. In response, FSIS initiated the use of food safety assessments to evaluate these controls. Also, we have reported that FSIS did not have an effective management control structure that would ensure that adequate systems and processes were in place to accumulate, review, and analyze available data to monitor and assess compliance with HACCP and inspection requirements. We have recommended that FSIS develop a written time-phased plan for completing its reviews of HACCP plans, including periodic reassessments, and to establish a strategy for hiring and training staff. We also have made numerous recommendations to improve FSIS IT systems, inspection oversight, and data quality.

OIG AUDIT/INVESTIGATION ACTIONS: OIG issued a series of food safety audits in 2000 that assessed the effectiveness of FSIS’ meat and poultry inspection program under HACCP. We concluded that while FSIS had taken positive steps in implementing the science-based HACCP program, FSIS needed to have a more aggressive presence in the inspection and verification process. FSIS had, in our assessment, reduced its oversight short of what was necessary to protect the consumer. The conditions noted in our 2003 review of the ConAgra recall (18 million pounds of ground beef and beef products suspected of being contaminated with *E. coli* O157:H7) again led us to question the adequacy of establishment HACCP plans and FSIS’ oversight and verification programs that identify and control hazards in the production process.

In our 2004 audit of application controls for the Performance-Based Inspection System⁶ (PBIS), we evaluated the adequacy and effectiveness of FSIS controls over the input, processing, and output of PBIS data. We found that FSIS had not implemented adequate controls to ensure the

⁶ PBIS is a software application designed by FSIS to manage its HACCP inspection assignments, specific inspection procedures, and data reporting.

integrity of PBIS data and concluded that this ultimately could affect FSIS' ability to adequately manage its inspection activities.

In response to both GAO and OIG audit recommendations, FSIS developed a management control system to provide assurance that the agency is accomplishing its mission of protecting consumers from unsafe and unwholesome food products. A key component of FSIS' management control system is the In-Plant Performance System (IPPS), which was established to strengthen supervision and improve inspector accountability. Our 2006 audit of IPPS found that FSIS' policies and procedures were generally adequate and that the system improved supervision and inspector accountability. However, we did find that the review process could be strengthened in the areas of written guidance and management oversight—not all inspection activities identified as critical had been assessed.

In 2007, GAO designated Federal oversight of food safety as a high-risk area because of its importance to the economy and public health and safety. Any food contamination could undermine consumer confidence in the Government's ability to ensure the safety of the U.S. food supply, as well as cause severe economic consequences. GAO believed the current fragmented Federal system (15 agencies collectively administering at least 30 laws related to food safety) has caused inconsistent oversight, ineffective coordination, and inefficient use of resources.

In FSIS' February 2007 proposal to proceed with risk-based inspection, it based risk assessments of processing establishments predominately on data contained in its information systems. In May 2007, Public Law 110-28⁷ prevented FSIS from using funds to implement risk-based inspection in any location until OIG studied the program and FSIS addressed any issues identified. In our December 2007 report, we identified that the data were limited and we questioned whether FSIS had the systems in place to provide reasonable assurance that risk can be timely or fully assessed, given that FSIS lacks current, comprehensive assessments of establishments' food safety systems.

Throughout this review, we discussed our concerns and provided recommendations to FSIS so that the agency could immediately initiate actions to address weaknesses we identified. The concerns related to FSIS' (1) assessments of establishments' food safety systems, (2) security over IT resources and application controls, (3) data management infrastructure and analyses, and (4) management control structure.

In January 2008, the Humane Society of the United States publicly released videos that documented the egregious abuse of cattle awaiting slaughter at a California slaughter establishment. In February 2008, the slaughter establishment voluntarily recalled approximately 143 million pounds of raw and frozen beef products, the largest recall to date. The videos led Congress, USDA, and the public to question how such events could have occurred at a slaughter establishment under inspection by FSIS, and whether these events were isolated or systemic. We found deliberate actions by slaughterhouse personnel to bypass required inspections, as well as noncompliance with required inspection procedures by FSIS in-plant staff. Management controls did not detect and/or prevent these incidents. We reviewed other cull establishments

⁷ Public Law 110-28, §6102, U.S. Troop Readiness, Veteran's Care, Katrina Recovery, and Iraq Accountability Appropriations Act 2007, enacted May 25, 2007.

and found shortcomings, but nothing indicated that unsuitable animals were passed for slaughter. We concluded that there was no systemic failure of the inspection system as designed by FSIS. However, controls could be strengthened to provide oversight of the inspection processes and to demonstrate the sufficiency and competency of FSIS' personnel resources. An investigation to determine whether there were violations of the Federal Meat Inspection Act is ongoing.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: FSIS has taken action on several recommendations. The agency has determined how food safety assessment results will be used in estimating establishment risk, and conducted analyses to support the data windows (i.e., period of time) selected for assessing an establishment's ability to control risk. FSIS instituted appropriate oversight and control over developing critical IT systems that are needed to support risk-based inspection. FSIS also developed and implemented procedures to ensure sufficient, timely followup work is performed in response to findings in food safety assessments. FSIS continued its efforts to complete a comprehensive, agency-wide examination of its information needs, establish a process for periodically reassessing these needs, and resolving prior audit recommendations.

FSIS implemented a management control system to provide multi-layered oversight of its inspection activities. FSIS has focused on strengthening supervisory oversight of its in-plant inspection personnel through the use of IPPS. FSIS has also recently implemented AssuranceNet, a Web-based system, which will pull inspection data from five databases to facilitate analysis. FSIS provided written procedures and guidance on the use of the AssuranceNet system to ensure that its data is being used in the most effective manner and to allow the system to be used in the context of a larger management control structure. FSIS also revised its guidance to strengthen AssuranceNet's monitoring over the IPPS process.

FSIS agreed to continue its expedited efforts to resolve and achieve final action on OIG recommendations. FSIS notes that the Program Evaluation and Improvement Staff (PEIS) in the FSIS Office of Program Evaluation, Enforcement and Review, which serves as the agency's liaison to OIG and GAO, implemented a new system to notify FSIS' programs monthly about their obligations to respond to and take final action on OIG recommendations, to track the results, and to produce a variety of reports for FSIS' management and USDA's OCFO. PEIS added the maintenance of this system to its own management controls.

FSIS is re-aligning its systems into the Public Health Information Consolidation Project (PHICP) to better integrate its numerous applications that collect information regarding its primary activities of ensuring the safety of meat, poultry, and egg products. The FSIS PHICP will use a Web-based system design to augment and replace current IT systems used to support mission-critical FSIS functions such as inspection and surveillance. Some of the FSIS mission-critical applications contained in PHICP include the Public Health Information System (PHIS), AssuranceNet, and laboratory systems. The major modules of PHIS include Domestic Products, Imported Products, Exported Products, and Modeling and Analysis.

PHIS is being developed, in part, to predict hazards and vulnerabilities, communicate or report analysis results, and target resources to prevent or mitigate the risk of food-borne illness and threats to the food supply. Another planned benefit of PHIS is the ability to exchange data with

key external stakeholders such as DHS-CBP. FSIS has no current electronic connection with these organizations, but future interfaces are essential in order for the agency to satisfactorily perform its mission and to operate within the law.

Other key goals of PHIS are to build a Domestic Inspection Module for use by field inspectors and Headquarters staff and predictive models to analyze real time data. In February 2009, FSIS reported that it has modified the schedule for deploying PHIS to allow for a more complex system development. PHIS will be installed in January 2010, and then undergo required C&A, with expected deployment in June 2010. Additionally, OIG investigations staff, in coordination with FSIS, conducted program-related training. This training focused on issues relating to adulterated meat and poultry products. The training covered topics such as management, processing, and investigative techniques related to food safety investigations.

FSIS established a process to analyze available data for anomalies or variances in both establishment and inspector performance for additional follow-up with the Data Analysis and Integration Group's quarterly humane handling alert. FSIS also strengthen its pre-slaughter inspection processes and controls over the movement and tracking of animals from ante-mortem inspection, to slaughter, and through proper disposal, residue testing procedures, and specified risk materials verification activities. This was accomplished with the issuance of Notices and revision of Directives pertaining to verification of an establishment's identification records, reconciling livestock numbers between ante-mortem and slaughter, tagging instructions for livestock that is determined to be U.S. suspect or U.S. condemned, and observing animals both at rest and in motion during ante-mortem inspection.

ACTION NEEDED TO ADDRESS THE CHALLENGE: FSIS should complete its plan for improving the use of food safety assessment-related data. As the agency moves forward with the development and implementation of a risk-based inspection program, FSIS should ensure that components of the selected algorithm are thoroughly documented and evaluated—with limitations mitigated—and are transparent (i.e., clear and understandable) to all stakeholders. In various sections of the risk-based inspection report, we recommended actions aimed at strengthening FSIS' training programs for its supervisory and inspection personnel.

FSIS should continue with efforts begun during the course of our risk-based inspection audit to prioritize and schedule food safety assessments. FSIS needs to reassess the inhumane handling risks associated with cull slaughter establishments and determine if more frequent or in-depth reviews are needed.

FSIS needs to develop a supportable, risk-based methodology for determining the inspection resources needed at establishments and the appropriate supervisory structure. FSIS needs a structured training and development program for both its inspection and management staff. Supervisory and management oversight of in-plant performance needs to be strengthened to ensure that on-site evaluations are thorough and are conducted when required.

CHALLENGE: IMPLEMENTATION OF RENEWABLE ENERGY PROGRAMS AT USDA

SUMMARY: Sustainable renewable energy is a global challenge for the 21st century. In conjunction with other Federal Departments and agencies, USDA is at the forefront of governmental research and production to develop viable solutions to meet an increasing worldwide demand for energy. Existing legislation and President Bush's Advanced Energy Initiative of 2006 called upon USDA to create and support new energy options for all Americans.

The Department answered the call by investing almost \$2 billion dollars into renewable energy projects. USDA agencies funded many worthwhile projects that had positive impacts for renewable energy. However, we identified several issues that, if corrected, could improve USDA's efforts in reducing the Nation's dependence on foreign oil and in powering its homes and businesses with renewable energy sources. The most significant issue is that USDA has not developed a comprehensive strategy for the implementation of renewable energy activities in USDA.

The successful research, commercialization, marketing, and outreach of renewable energy activities by the Federal Government can greatly assist the Nation's overall effort to be less dependent on foreign oil while creating a cleaner environment. Another benefit is the economic stimulus created in rural communities where most renewable energy resources, opportunities, and jobs exist. The Secretary of Agriculture chairs the USDA Energy Council, which is responsible for the implementation of renewable energy within the Department. Given the emphasis on renewable energy, USDA funding for related activities is estimated to rise from the current \$1.6 billion (allocated for FYs 2003 to 2007) to \$3.6 billion for the next Farm Bill period (FYs 2008 to 2012).

The American Reinvestment and Recovery Act of 2009 (Recovery Act) does not authorize specific funding for renewable energy projects. However, Recovery Act funds may be used to finance renewable energy projects within the traditional context of USDA's Business and Industry Guaranteed Loan Program.

USDA's effective implementation of renewable energy programs within USDA can strengthen the Nation's security and defense as well as assist in economic growth and the health of its citizens.

OIG AUDIT/INVESTIGATION ACTIONS: OIG conducted a number of renewable energy audits on USDA programs. Individual audits were conducted in the Agricultural Research Service; the Cooperative State Research, Education, and Extension Service; Rural Development's Rural Business-Cooperative Service and Rural Utilities Service; the Natural Resources and Conservation Service, and the Forest Service. We also performed work at the departmental level. We found that USDA agencies funded many worthwhile projects that had a positive impact in the renewable energy area. However, we also found that most lacked a renewable energy strategy and that USDA did not have a comprehensive departmental renewable energy strategy. Such strategies should include program goals for agency managers, a detailed course of action to accomplish those goals, and measures to evaluate performance. Without

strategies that include all agencies and programs within the Department, agency managers independently determine funding priorities, develop selection criteria, and assess the impact of renewable energy projects. Consequently, agency managers for programs that do not receive funds directly appropriated for renewable energy activities may have not placed sufficient emphasis on energy projects. Program managers have not analyzed proposed energy related projects to identify those that would provide the most benefit for funds expended (i.e., return on investment).

OIG found that there are at least six agencies within the Department with programs that fund similar renewable energy projects. To date, the Department has not issued guidance on how agencies should coordinate to prevent duplicate funding of similar projects. For instance, there is no internal control that compares objectives and data from funded projects to the objectives and supporting information for newly proposed projects. We concluded that duplicate funding and efforts could occur without the Department's knowledge.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: In March 2008, the Department issued a strategy to address the research, education, and extension services portions of its renewable energy efforts. This strategy, however, did not address other renewable energy activities, primarily the commercialization of renewable energy.

ACTION NEEDED TO ADDRESS THE CHALLENGE: USDA needs to ensure that a comprehensive strategy is developed for all of its renewable energy programs and funding, whether directly appropriated for renewable energy activities or funded from existing appropriations. Once this comprehensive strategy is realized, USDA needs to monitor its progress to ensure timely and effective implementation. The Department needs to establish internal controls to ensure that renewable energy research is not duplicated and that it meets the needs of the current marketplace (i.e., the research is not outdated). USDA needs to ensure that limited renewable energy funds are used to fund projects where a primary selection criterion for investment is based upon projects where the most renewable energy is yielded per funds invested, as well as other secondary criteria. Additionally, projects should be analyzed based on projected versus actual outcomes.

CHALLENGE: IMPLEMENTATION OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 *(NEW CHALLENGE)*

SUMMARY: The American Recovery and Reinvestment Act of 2009 (Recovery Act) includes measures to modernize our Nation’s infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need. USDA received \$28 billion in funding under the Recovery Act in a number of areas, including farm loans, watershed programs, supplemental nutrition assistance, housing, rural business, water and waste disposal, broadband, infrastructure improvements and maintenance, and wildland fire management. USDA’s challenge is to timely, effectively, and transparently implement USDA recovery-related programs with the proper control and oversight to ensure integrity and accountability in the funded programs. USDA must also be vigilant to ensure program participants meet eligibility guidelines and participants properly comply with program requirements. If these challenges are not met, the public’s confidence could be reduced in USDA’s ability to implement programs intended to stimulate local economies, and create jobs, as well as protect and restore the environment.

OIG AUDIT/INVESTIGATION ACTIONS: Through our audit and investigative programs, we have developed a number of actions, both short-term and long-term, to enable us to provide timely and effective oversight of the Recovery Act monies expended by USDA programs. Adjustments will be made to our action plans as the USDA agencies develop plans—including the required Recovery Program Plans—to distribute Recovery Act monies.

We conducted immediate outreach to the Department—including meetings with the top levels of relevant USDA agencies—both to highlight our efforts and to solicit their input on where our efforts would be most effective. We will provide information on oversight best practices as they come to our attention—for example, we provided a recently issued guide to grant oversight and best practices for combating grant fraud to the relevant USDA agencies.

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

Our audit work is being conducted in multiple phases based on USDA’s implementation of Recovery Act related programs. As needed, we evaluated whether to expand the scope of audits in process and planned of programs receiving Recovery Act funding. Audit work will be performed to:

- Monitor the development of USDA agency program guidance and requirements for distributing Recovery Act funding to program participants to include eligibility requirements.

- Evaluate internal control systems used to ensure program objectives are achieved, program participants fully meet eligibility requirements, and payments are accurately computed.
- Determine if funding recipients complied with all eligibility criteria.
- Evaluate USDA compliance activities in relation to Recovery Act funding requirements.

Audit reports will be issued as necessary. A priority will be placed on quick turn-around reports that can then be rolled up into consolidated reports. Emphasis will be placed on notifying agency managers of problems as quickly as possible so that immediate corrective action can be taken. For example, our initial project in our oversight was to review audit recommendations that could impact internal controls over Recovery Act activities for each agency. We identified recommendations where RD and FS had not implemented the agreed-upon corrective actions within the mandatory 1 year timeframe. We then determined which of these recommendations, if left unresolved or not mitigated, would introduce a significant risk for inefficient or improper use of Recovery Act funding. In April 2009, we reported the results of our review of prior audit recommendations. For RD, we identified 17 recommendations that met these criteria involving approximately \$10 billion of Recovery Act funds. For FS, we identified 15 audit recommendations that met these criteria involving \$1.15 billion of Recovery Act funds.

As of July 31, 2009, we had issued 13 quick turn-around reports in several programs to highlight internal controls weaknesses that needed to be addressed to ensure the proper use of Recovery Act funding. The program areas included: single family housing direct and guaranteed loans, aquaculture assistance grants, direct farm operating loans, water and waste disposal loans and grants, and business and industry guaranteed loans. USDA program officials generally agreed with our recommendations and provided us with their planned corrective actions.

Investigative Program: The overall objective of our investigative efforts is to ensure the integrity of the implementation of USDA Recovery Act funded programs by: (1) timely identification of fraud within those programs; (2) swift and efficient investigations of the fraud; (3) prosecutions where warranted; (4) agency administrative action where necessary; and (5) an effective and efficient whistleblower investigation program.

Our Office of Investigations will undertake a number of activities in multiple phases to both identify fraud as it occurs and expedite, to the extent possible, the investigation and prosecution of the fraud. More specifically, investigations work will be performed to:

- Identify and investigate fraudulent activity occurring within the USDA agency programs receiving Recovery Act funding, including those whistleblower allegations reported as set forth in the Recovery Act.
- Develop solid evidence of the fraudulent activity.
- Work 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.

Investigative reports will be issued upon completion of the investigation or as requested by the U.S. Attorney's Office. We will coordinate with agency managers in situations where suspension and debarment proceedings are appropriate to ensure that immediate action is taken. We will also undertake the reporting required under the Recovery Act for whistleblower complaints.

Efforts with the IG Community: As a member of the Recovery Accountability and Transparency Board (the Board), we are coordinating with other Inspectors General to conduct oversight of Recovery Act funds to prevent fraud, waste, and abuse. For example, we have initiated a number of reviews to look at contracting and transparency issues referred to us by staff of the Board. In addition, we have been in contact with other Inspectors General to identify potential best practices (e.g., loan making and servicing) established by others and to share the results of prior audits of Recovery Act funded programs (e.g., broadband).

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: USDA has taken steps to implement the Recovery Act in a manner that is transparent, effective, and efficient. In testimony before Congress in March 2009, the Secretary recognized that the funds provided by the Recovery Act will play a significant role in stimulating our Nation's economy because of the extent to which USDA affects the lives of every American, every day. Accordingly, he put in place management oversight throughout USDA to focus efforts on handling contracts and grants in a way that meets the President's and taxpayers' expectations.

The Secretary established the Department of Agriculture Recovery Team to oversee the implementation of the Act. This team, headed by his office, includes representatives from all mission areas that received funding under the Act. The team meets, as necessary, multiple times each week and reports to him on a weekly basis. This team worked to identify all actions that need to be taken to quickly and responsibly expend the money provided in the Recovery Act, including identifying projects that can receive funds and establishing accountability systems for mitigating potential implementation risks.

USDA intends to follow the guidance established by OMB, which will allow it to be able to demonstrate to the public that their tax dollars are being invested in initiatives and strategies that make a difference in their communities and across the country. To facilitate transparency and accountability, USDA established a Webpage (<http://www.usda.gov/recovery>) dedicated to the Recovery Act, which will provide specific information as its efforts to implement the Act proceed.

In April 2009, USDA launched an innovative new geospatial mapping Web-function to show exactly where and how USDA is spending every dollar of Recovery Act funding across the Nation. USDA entered a partnership with HUD so that HUD projects funded by the Recovery Act will also be featured on the geospatial map. By launching this Website and publishing a progress report, USDA has demonstrated its intent to work to deliver a Government that is open and transparent, responsive and accountable to the American people.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE: As USDA continues to implement the Recovery Act, departmental leadership will need to remain vigilant in making sure that its efforts are timely, effective, and transparent. Agency leaders must also implement proper control and oversight to ensure accountability, distribute funding to participants that meet eligibility guidelines, and validate that participants properly comply with program requirements. These efforts will serve to ensure the proper use of the \$28 billion USDA received in Recovery Act funds.

ACRONYMS USED IN THIS DOCUMENT

AI	avian influenza	NOSB	National Organic Standards Board
AIP	approved insurance provider	NRCS	Natural Resources Conservation Service
APHIS	Animal and Plant Health Inspection Service	OCFO	Office of the Chief Financial Officer
AQIM	Agricultural Quarantine Inspection Monitoring	OCIO	Office of the Chief Information Officer
ARPA	Agricultural Risk Protection Act of 2000	OGC	Office of the General Counsel
ASCR	Assistant Secretary for Civil Rights	OIG	Office of Inspector General
C&A	certification and accreditation	OMB	Office of Management and Budget
CFR	Code of Federal Regulations	PBIS	Performance-Based Inspection System
CBP	Customs and Border Protection	PEIS	Program Evaluation and Improvement Staff
CDC	Centers for Disease Control and Prevention	PHICP	Public Health Information Consolidation Project
CDP	crop disaster program	PHIS	Public Health Information System
CEAP	Conservation Effects Assessment Project	PII	personally identifiable information
CIMS	comprehensive information management system	RD	Rural Development
CR	Civil Rights	Recovery Act	American Reinvestment and Recovery Act of 2009
CRES	Civil Rights Enterprise System	Response Plan	National Avian Influenza Preparedness and Response Plan
CSP	Conservation Security Program	RHS	Rural Housing Service
DAR	Data At Rest	RMA	Risk Management Agency
DHS	Department of Homeland Security	SPPA	Strategic Partnership Program Agroterrorism Initiative
EEO	equal employment opportunity	SURE	Supplemental Revenue Assistance Payments (Program)
EERA	Emergency Equipment Rental Agreements	SWCD	Soil and Water Conservation District
FAS	Foreign Agricultural Service	T&E	Transportation and Exportation
FEMA	Federal Emergency Management Agency	USDA	U.S. Department of Agriculture
FS	Forest Service	WBSCM	Web-based supply chain management system
FSA	Farm Service Agency	WFU	wildland fire use
FSIS	Food Safety and Inspection Service	WRP	Wetland Reserve Program
FY	fiscal year	WUI	wildland urban interface
GAO	Government Accountability Office		
GE	genetically engineered		
GEO	genetically engineered organisms		
HACCP	Hazard Analysis and Critical Control Point		
HIP	Hurricane Indemnity Program		
HPAI	highly pathogenic avian influenza		
HSC	Homeland Security Counsel		
HSO	[USDA] Homeland Security Office		
HUD	Department of Housing and Urban Development		
IPIA	Improper Payments Information Act of 2002		
IPPS	In-Plant Performance System		
IT	information technology		
MOU	Memorandum of Understanding		
NCFD	National Computer Forensic Division		
NOP	National Organic Program		