



United States
Department of
Agriculture

Office of
Inspector
General

No. 57
May 2007

Office of Inspector General Semiannual Report to Congress

FY 2007 – 1st Half



Key OIG Accomplishments in This Reporting Period

RESULTS IN KEY CATEGORIES

SUMMARY OF AUDIT ACTIVITIES

Reports Issued

Number of Reports38

Number of Recommendations 172

Management Decisions Made

Number of Reports25

Number of Recommendations 233

Total Dollar Impact (Millions)

Of Management-Decided Reports.....\$11.4

Questioned/Unsupported Costs..... \$11.3

Funds To Be Put to Better Use \$0.1

SUMMARY OF INVESTIGATIVE ACTIVITIES

Reports Issued 155

Impact of Investigations

Indictments 171

Convictions..... 101

Arrests.....453

Total Dollar Impact (Millions)\$43.5

Administrative Sanctions58

OIG MAJOR USDA MANAGEMENT CHALLENGES (August 2006)

- **Interagency Communications, Coordination, and Program Integration Need Improvement**
Related material can be found on pages 11 and 14.
- **Implementation of Strong, Integrated Management Control (Internal Control) Systems Still Needed**
Related material can be found on pages 5, 12-14, and 16-17.
- **Continuing Improvements Needed in Information Technology (IT) Security**
Related material can be found on pages 9 and 15.
- **Implementation of Improper Payments Information Act Requirements Needs Improvement**
Related material can be found on page 16.
- **Departmental Efforts and Initiatives in Homeland Security Need To Be Maintained**
Related material can be found on pages 1-2.
- **Departmentwide Efforts and Initiatives on Genetically Engineered Organisms (GEO) Need To Be Strengthened**
Related work is ongoing in FY 2007; see page 4.
- **USDA's Response to the 2005 Hurricanes Needs Ongoing Oversight**
Related material can be found on pages 10-11.

Message From the Inspector General

I am pleased to provide the Semiannual Report to Congress for the Office of Inspector General (OIG), U.S. Department of Agriculture (USDA), for the 6-month period that ended March 31, 2007. During this reporting period, we conducted successful investigations and audits that led to 453 arrests, 101 convictions, \$43.5 million in recoveries and restitutions, 142 program improvement recommendations, and \$11.4 million in financial recommendations. This report summarizes the most significant OIG activities during the period by our three strategic goals:

- **Safety, Security, and Public Health** – Our audit work determined that the Animal and Plant Health Inspection Service needed to strengthen its policy guidance over agricultural inspection activities and that USDA had successfully implemented key homeland security initiatives and directives. Our investigative work saw convictions or pleas and recoveries related to violations of the Federal Endangered Species Act and food safety laws.
- **Integrity of Benefits and Entitlements Programs** – Our audit work found that indemnity payments of \$2.3 million in a crop insurance pilot program were unsupported and that errors in loss adjustments on crop insurance indemnity payments were made on citrus crops in Florida. Our investigative work resulted in convictions and money recoveries for schemes to defraud the Food Stamp Program, National School Lunch Program, Child and Adult Care Food Program, Market Access Program, and farm and rural development loan programs.
- **Management of Public Resources** – Our audit work found that Forest Service's escalating costs to fight wildfires were largely due to its efforts to protect property in the wildland urban interface and that the Foreign Agricultural Service needed to complete a Global Market Strategy to increase the Nation's agricultural exports. The USDA consolidated financial statements for FY 2006/2005 received an unqualified audit opinion for the fifth consecutive year. In the information technology area, the Office of the Chief Information Officer's Information Technology Services (ITS) received a qualified opinion on its internal control structure and its effectiveness. In our ongoing effort to determine USDA's compliance with Improper Payments Information Act of 2002 (IPIA) requirements, we found that implementation of IPIA needs improvement in two USDA agencies.

While the Department has been a leader in providing support to the Gulf Coast region following the 2005 hurricane season, such large and, by necessity, quick outlays of funds can be subject to increased risk for fraud. In our 18 investigations in Mississippi and Louisiana concerning cases in which USDA agencies were defrauded by individuals to obtain disaster benefits, 37 individuals have been indicted, 9 of whom have pled guilty and been sentenced. Our audits found that unnecessary housing assistance was provided to hurricane victims and that USDA needs a response and recovery plan for future grain transportation disruptions.

These results would not be possible without the strong interest and support of the Secretary, the Deputy Secretary, and the Congress. I speak for the entire OIG in expressing our appreciation for their work to improve the integrity and efficiency of the Department's programs and operations.



Phyllis K. Fong
Inspector General

Contents

Safety, Security, and Public Health	1
Integrity of Benefits and Entitlements Programs	5
Management of Public Resources	9
Gauging the Impact of the OIG	22
Abbreviations of Organizations	38

Safety, Security, and Public Health

OIG Strategic Goal 1:

Support USDA in the enhancement of safety and security measures to protect USDA and agricultural resources and in related public health concerns

To help USDA and the American people meet the critical challenges in safety, security, and public health, it is our responsibility in OIG to provide independent, professional audits and investigations in these areas. Our work addresses such issues as the ongoing challenges of agricultural inspection activities, safety of the food supply, and homeland security.

In the first half of fiscal year (FY) 2007, we devoted 17.0 percent of our total audit and investigative direct resources to Goal 1, with 95.0 percent of these resources assigned to critical/high-impact work. A total of 56.3 percent of our audit recommendations under Goal 1 resulted in management decision within 1 year, and 68.4 percent of our investigative cases had criminal, civil, or administrative action taken. OIG issued three audit reports under Goal 1 during this reporting period. OIG's investigations under Goal 1 yielded 12 indictments, 12 convictions, and about \$625,716 in monetary results during this reporting period.

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 1

Animal and Plant Health Inspection Service (APHIS) Needs To Strengthen Its Policy Guidance Over U.S. Customs and Border Protection's (CBP) Agricultural Inspection Activities

USDA OIG teamed with the Department of Homeland Security (DHS) OIG to evaluate the post-transition effectiveness of APHIS and CBP in safeguarding U.S. agriculture from incursions by foreign pests and diseases. The audit disclosed that the two Departments had made progress in correcting the deficiencies noted in previous audits, resolving several outstanding recommendations. Based on issues identified in the new review, however, DHS OIG issued several recommendations to CBP to improve operational areas at the ports of entry. In response to USDA OIG recommendations, APHIS agreed to issue policy guidance to clarify CBP's responsibilities for Transportation and Exportation permits that allow prohibited and restricted agricultural commodities to be trans-shipped across the country to foreign destinations and for the handling of seized agricultural products at ports of entry. APHIS also agreed to develop a process to allow both agencies to assess the risk of agricultural products entering the country by rail. In addition, we are

Management Challenges Addressed Under Goal 1

- Interagency Communications, Coordination, and Program Integration Need Improvement (also under Goals 2 and 3)
- Continuing Improvements Needed in IT Security (also under Goal 3)
- Departmental Efforts and Initiatives in Homeland Security Need To Be Maintained
- Departmentwide Efforts and Initiatives on GEOs Need To Be Strengthened

working to resolve the remaining recommendations from a previous audit of agricultural inspection activities. (Audit Report No. 33601-07-Ch, Review of CBP's Agriculture Inspection Activities)

Owner and Corporation Plead Guilty to Defrauding Bovine Spongiform Encephalopathy (BSE) Surveillance Program

An Arizona meat processing company and its owner pled guilty in February 2007 to charges of theft of Government funds, mail fraud, and wire fraud. The owner and his company defrauded the BSE Surveillance Program when they falsified BSE Surveillance Data Collection Forms and then submitted payment requests to USDA for the services. In addition to the targeted sample population (those cattle that were more than 30 months old or had other risk factors for BSE), the owner submitted to USDA, or caused to be submitted, BSE obex (brain stem) samples from healthy USDA-inspected cattle. As a result, the owner fraudulently received approximately \$390,000. Sentencing is scheduled for May 2007.

Investigation Uncovers \$5.2 Million in Illegally Exported Fruit

From April 2000 to November 2006, agents and investigators of OIG and APHIS' Investigative and Enforcement Services conducted an investigation into the illegal exportation of apples and stone fruit into Mexico from the United States. In a cooperative effort between the Governments of the United States and Mexico, the investigation identified approximately 480 truckloads of illegally exported fruit valued at over \$5.2 million. The investigation disclosed that seven marketing firms and three freight-forwarding firms conspired to circumvent international treaties and minimum reference price requirements by using counterfeit U.S. Government Phytosanitary Certificates. The counterfeit certificates were used to falsely certify inspections of the illegally exported fruit, the charging of the minimum reference price on apples, the performance of cold treatment (cooling fruit to eliminate the risk of

fruit flies), and an inflated quality grade of stone fruit. The investigation resulted in two criminal convictions, four civil judgments, and asset forfeiture and fines totaling \$95,225.

Meat Processing Plant Agrees To Pay More Than \$100,000 in a Civil Settlement for Falsifying Fat Content in Sausage Products

In October 2006, a former federally inspected facility entered into a settlement agreement with the U.S. Attorney's Office, District of Maine. The agreement required the firm to pay to the United States more than \$100,000 for selling a variety of meat products that exceeded Federal standards for fat content and for falsifying required test results. In April 2004, a former quality assurance manager of the firm was found guilty of obstruction of justice and was sentenced to serve a prison term, followed by supervised release, and ordered to pay a \$3,100 fine.

Texas Businessman Sentenced for Making False Statements and Claims To Obtain USDA Commodity Contracts for Nonfat Dry Milk Valued at More Than \$1.5 Million

In November 2006, an El Paso, Texas, businessman and his company independently pled guilty to making false statements to USDA. The businessman, on behalf of his company, submitted false statements to USDA from October 2003 to November 2004 to obtain contracts to purchase over 1.5 million pounds of nonfat dry milk from the Commodity Credit Corporation (CCC) at a reduced price of \$511,686, a discount of more than \$1 million. By failing to produce the required product for human consumption, the businessman did not fulfill the contract requirements. The company falsely certified that the product was for human consumption and that it was licensed to process products for human consumption. Instead, the milk was used in the production of animal feed. In January 2007, the businessman made the first installment (\$50,000) of a \$100,000 court-ordered forfeiture, and the businessman and his company were sentenced to 36 months of probation. Based on its claim of insolvency, the company was assessed no fine or restitution.

USDA Implements Homeland Security Initiatives and Directives

Our review found that the Department had completed its required actions in implementing sections 17 and 8(b) of Homeland Security Presidential Directive-9. This directive established a national policy to protect the U.S. agriculture and food system in the event of emergencies such as bioterrorist attacks or major disasters. Section 17 requires USDA to make recommendations to the President's Homeland Security Council about financial risk management tools that encourage self-protection for vulnerable agriculture and food enterprises, while section 8(b) emphasizes the need for monitoring and surveillance programs to track commodities.

We also reviewed USDA's role in implementing a requirement of the Public Health Security and Bioterrorism Preparedness Response Act of 2002 that would facilitate the tracing of commodities to the original vendor/facility after a disaster. Although the Act requires the Food and Drug Administration (FDA) to register and monitor such vendors/facilities, we suggested that the Department could play a key role in strengthening the safety and security of this process by providing information to FDA on vendors/facilities that conduct business with the Department but have not registered. (Audit Report No. 50701-2-KC, USDA Homeland Security Initiatives and Directives)

Corporate Shareholder Sentenced for Illegal Sale of Ocelot

As reported last period, in April 2006, an Oregon woman was sentenced to 30 days in prison and ordered to make a \$25,000 community service payment for illegally offering to sell an ocelot, which is protected under the Federal Endangered Species Act. During this period, in January 2007, the shareholder of a California corporation that conducted business with the Oregon woman was sentenced after an August 2006 guilty plea to illegally offering to sell ocelots. The corporate shareowner was sentenced to 24 months of supervised release and ordered to make a \$60,000 community service payment to the Oregon Zoo Endangered Species Justice Fund.

Emergency Response Program

OIG's Emergency Response Program (ERP) consists of two teams with unique missions, the Emergency Response Team (ERT) and the Wildland Fire Investigations Team (WFIT). ERT responds to and investigates threats or attacks against the Nation's food supply, agriculture infrastructure, or USDA interests; and provides expertise to government agencies at all levels. In December 2006, ERT attended AgTerror training in Tennessee, sponsored by DHS in cooperation with Kirkwood Community College. Members were certified by DHS to conduct AgTerror awareness training. Also in December 2006, the team participated in advanced Crime Scene Processing training, using agriculture-related scenarios.

During this reporting period, members of ERT worked closely with and participated on the FBI's Joint Terrorism Task Forces, the FBI-sponsored Agro-Terrorism Working Groups, and the U.S. Attorney's Offices' Anti-Terrorism Advisory Councils. In addition, members of the ERT regularly participated in working groups with State and local law enforcement agencies and first responders to educate and foster cooperation to ensure the safety of the Nation's crops and food supply. ERT members provided presentations to task forces and working groups on its role in an agricultural event and participated in tabletop exercises to prepare for such an event.

OIG is mandated by law to investigate any Forest Service (FS) firefighter deaths caused by wildfire entrapment or burnover and report to Congress and the Secretary of Agriculture on the results. Participation on WFIT is a collateral duty for team members and requires a great deal of commitment due to the unique training requirements of the position. Members undergo extensive training that includes attending the Basic Fire Academy located in Boise, Idaho. The Basic Fire Academy incorporates training in Incident Command, Basic Wildfire Suppression Orientation, Firefighter Training, and Introduction to Wildland Fire. In addition, WFIT members attend the National Wildfire Investigation Training Program, conducted by the Federal Law Enforcement Training Center, as well as the Bureau of Land Management's Serious Accident Investigation Training. In October 2006, the Esperanza Wildland Fire in California resulted in the deaths of five FS firefighters by entrapment or burnover. The WFIT investigation of these firefighter deaths is ongoing.

GOVERNMENTWIDE ACTIVITIES – GOAL 1

Participation on Committees, Working Groups, and Task Forces

- An OIG investigator is serving on the Maryland Agriculture Working Group, sponsored by the Federal Bureau of Investigation's (FBI) Weapons of Mass Destruction coordinator for the Baltimore Division. The group consists of law enforcement, emergency management, and public safety officials from Federal, State, and local governments within the FBI's Baltimore investigative jurisdiction (Maryland and Delaware). The group is writing a communications plan to assist in coordinating and responding locally to a food and/or agriculture event of significance.
- An OIG investigator is assigned to the FBI's National Joint Terrorism Task Force (NJTF). The agent attends the NJTF threat briefings and provides a variety of products related to terrorist intelligence to OIG and other agencies and offices within the Department.
- During the reporting period, the Inspector General (IG) and OIG staff participated in the President's Council on Integrity and Efficiency (PCIE) Homeland Security Roundtable. Since June 2005, the roundtable, consisting of members from the inspector general community, has met to discuss a variety of matters related to homeland security. Ongoing OIG audit and investigative efforts related to Hurricane Katrina have been coordinated through the roundtable. We have benefited from sharing information and identifying best practices, offered suggestions for a revised roundtable charter, and nominated several topics for future joint projects.

ONGOING AND PLANNED REVIEWS FOR GOAL 1

Topics that will be covered in ongoing or planned reviews under Goal 1 include:

- Farm Service Agency's (FSA) port approval and inspection process,
- Food Safety and Inspection Service (FSIS) meat, poultry, and egg product inspections in Puerto Rico,
- egg processing inspection (FSIS),
- controls over APHIS pilot certifications,
- controls over permits to import agricultural products (APHIS),
- USDA's controls over the importation and movement of live animals (APHIS),
- USDA's implementation of the national strategy for pandemic influenza (APHIS as lead),
- avian influenza testing laboratories' compliance with policies and procedures (APHIS),
- soundness of BSE maintenance sampling (APHIS),
- determination of actionable (nonexistent or rare in the United States) foreign pests (APHIS),
- FSIS' Management Control System,
- FSIS risk-based inspection,
- implementation of Performance-Based Inspection System enhancements for specified risk material (SRM) violations and improved inspection controls over SRMs (FSIS and APHIS),
- National Residue Program in cull cow plants (FSIS),
- Animal Care inspection of breeders (APHIS),
- fresh product grading and certification (Agricultural Marketing Service (AMS)),
- oversight of the National Organic Program (AMS),
- followup on APHIS licensing of animal exhibitors,
- implementation of flood-control dam rehabilitation (Natural Resources Conservation Service (NRCS)),
- USDA progress in enhancing agricultural biosecurity through diagnostic and reporting networks (APHIS, FSIS, and Cooperative State Research, Education, and Extension Service (CSREES)),
- USDA's role in the export of genetically engineered agricultural commodities (Foreign Agricultural Service (FAS), Grain Inspection, Packers and Stockyards Administration (GIPSA), APHIS, and AMS), and
- USDA controls over genetically engineered animals/insect research (APHIS and Agricultural Research Service (ARS)).

The findings and recommendations from these efforts will be covered in future semiannual reports as the relevant audits and investigations are completed.

Integrity of Benefits and Entitlements Programs

OIG Strategic Goal 2:

Reduce program vulnerabilities and enhance integrity in the delivery of benefits to individuals

OIG conducts audits and investigations to ensure or restore integrity in the various benefits and entitlements programs of USDA, including a variety of programs that provide payments directly and indirectly to individuals or entities. The size of these programs is daunting: the Food Stamp Program (FSP) alone accounts for nearly \$32 billion in benefits annually, while over \$20 billion annually is spent on USDA farm programs. Their intended beneficiaries include the working poor, hurricane and other disaster victims, and schoolchildren, as well as farmers and producers. These programs support nutrition, farm production, and rural development. A good deal of our ongoing work in Goal 2 is expected to come to fruition in the second half of FY 2007.

In the first half of FY 2007, we devoted 47.5 percent of our total audit and investigative direct resources to Goal 2, with 87.1 percent of these resources assigned to critical/high-impact work. A total of 91.9 percent of our audit recommendations under Goal 2 resulted in management decision within 1 year, and 78.8 percent of our investigative cases had criminal, civil, or administrative action taken. OIG issued 13 audit reports under Goal 2 during this reporting period. However, there are several

additional audits in this area that were ongoing during this period and should be issued in the next reporting period. OIG investigations under Goal 2 yielded 104 indictments, 74 convictions, and about \$41.5 million in monetary results during the reporting period.

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 2

Adjusted Gross Revenue (AGR) Program Indemnity Payments of \$2.3 Million Unsupported

The Risk Management Agency's (RMA) AGR Program is a nontraditional crop insurance pilot program in which producers insure their farm revenue against losses caused by natural disasters and market fluctuations. During insurance years 2002 and 2003, 9 insurance providers in 18 States paid AGR indemnities of about \$24 million. We reviewed 11 claims paid by 5 providers and found that 4 of the providers either had issued policies to producers whose eligibility was unsupported or paid indemnities for unsupported loss claims totaling \$2.3 million. The deficiencies were not noted or detected by the underwriting review, the loss adjustor review, or the providers' quality control review prescribed by the Standard Reinsurance Agreement. Providers misunderstood, misinterpreted, or overlooked requirements for obtaining required documents or conducting adequate reviews.

Management Challenges Addressed Under Goal 2

- Interagency Communications, Coordination, and Program Integration Need Improvement (also under Goals 1 and 3)
- Implementation of Strong, Integrated Management Control (Internal Control) Systems Still Needed (also under Goal 3)
- USDA's Response to the 2005 Hurricanes Needs Ongoing Oversight (also under Goal 3)

Furthermore, RMA program managers were unaware of the deficiencies. In response to our audit, on February 15, 2007, RMA issued a notice to advise insurance providers of the unacceptable documents that have been used and to clarify what documents are acceptable for substantiating AGR policies and claims. RMA agreed to analyze and, if appropriate, seek recovery of the questioned indemnity payments. RMA will also ensure that review of the policyholder files for pilot programs will be included in its National Operations Reviews. (Audit Report No. 05601-4-SF, RMA AGR Program)

Loss Adjustment Errors Made on Citrus Crops in Florida

During 2004, Hurricanes Charley, Frances, and Jeanne in Florida resulted in crop insurance indemnity payments totaling \$50 million for 1,144 citrus claims. Of the 21 citrus indemnity payments reviewed, totaling \$10.3 million, approved insurance providers who administered the claims made loss adjustment errors on 15 claims that resulted in \$325,943 in overpayments and \$89,767 in underpayments. Loss adjusters did not always (1) verify crops' insurability, (2) verify the number of trees, (3) verify crops' risk class, (4) exclude production from uninsured acres, (5) sample trees from all groves, (6) appraise early and mid-season oranges separately, (7) compute claims correctly, or (8) use correct data when calculating claims. RMA agreed to review the erroneous loss adjustment determinations and collect any monies owed from the responsible insurance provider. (Audit Report No. 05099-27-At, Citrus Indemnity Determinations Made for 2004 Hurricane Damages in Florida)

Food Stamp Cases Yield Significant Jail Time and Restitution

OIG concluded a number of food stamp trafficking cases this reporting period that resulted in significant jail sentences and restitution:

- In October 2006, the owner of a Chicago grocery store was sentenced in U.S. District Court, Northern District of Illinois, to serve 57 months of incarceration, and

ordered to pay \$4.9 million in restitution and forfeit \$2.5 million in assets for food stamp trafficking. The grocery store owner was barred from participation in FSP for life. From January 1997 to August 2002, the grocery store owner and the store's manager were involved in a food stamp benefit trafficking scheme that resulted in a potential loss to USDA of approximately \$7 million.

- In October 2006, three individuals were ordered to pay a total of \$1.1 million in restitution for their role in committing food stamp trafficking via the Electronic Benefit Transfer (EBT) system by discounting large amounts of EBT benefits for cash at a Newark, New Jersey, grocery store. One individual received 21 months of incarceration and the other two received probation for a term of 36 months each. This investigation was worked jointly with the U.S. Secret Service (USSS).
- In November 2006, a Philadelphia man was sentenced in U.S. District Court, Eastern District of Pennsylvania, to serve 36 months in prison and 36 months of probation, and was ordered to pay \$510,658 in restitution. The man and his family had made false statements to numerous Government agencies to receive more than \$500,000 in food stamps, cash assistance, and medical benefits from August 1998 through January 2006. This investigation was worked jointly with USSS, the U.S. Postal Inspection Service, and the Internal Revenue Service's (IRS) Criminal Investigation (CI).
- In October 2006, two owners and an employee of a Houston grocery store were sentenced in U.S. District Court, Southern District of Texas, for food stamp trafficking. The two owners were sentenced to serve 37 months of imprisonment and ordered to jointly pay \$421,025 in restitution. The judge also signed Preliminary Orders of Forfeiture for two sport utility vehicles valued at approximately \$38,000. The store employee was sentenced to serve 15 months of imprisonment and ordered to pay \$1,859 in restitution. The owners and the employee had discounted EBT benefits for cash. This investigation was worked jointly with USSS.

- In January 2007, a Newark, New Jersey, food store manager was sentenced to 33 months of imprisonment, to be followed by 24 months of supervised release, for food stamp trafficking. In February 2007, a store employee was sentenced to 36 months of probation, to include 6 months of home confinement. They were ordered to pay restitution of \$248,147 to USDA. From May 1998 to June 1999, the store redeemed more than \$2.8 million in FSP benefits, most of which were fraudulent. In 2004, the store manager and employee were indicted in the District of New Jersey and charged with conspiracy to traffic in food stamp benefits. The manager then fled to the Dominican Republic until mid-2005, when he was extradited to the United States to face the charges. Both subjects subsequently entered guilty pleas.

New Jersey School Agrees To Pay \$1.3 Million for Committing National School Lunch Program (NSLP) Fraud

In October 2006, a civil settlement agreement was reached with a Lakewood charter school and the U.S. Attorney's Office, District of New Jersey. The school agreed not to seek reimbursement for \$895,550 in claims being held in a suspense account and agreed to pay an additional \$400,000 for losses to NSLP, a total of \$1,295,550 altogether. From 1996 to 2000, the school had defrauded NSLP of approximately \$1.3 million by submitting numerous false certifications to New Jersey's Bureau of Child Nutrition regarding student participation levels in NSLP.

Day Care Facility Owner in Louisiana Sentenced to Federal Prison, Ordered To Pay \$617,057 in Restitution for Child and Adult Care Food Program (CACFP) Fraud

In November 2006, the owner of a daycare facility in Monroe, Louisiana, was sentenced in U.S. District Court, Western District of Louisiana, to 87 months in prison, ordered to pay \$617,057 in restitution, and fined \$4,700. In July 2006, after pleading guilty to two counts of mail fraud and one count of false statements, a manager of the facility had been sentenced to 60 months of probation, ordered to pay \$142,143 in restitution, and fined \$300. From December 2003 through February 2004, the owner and the manager submitted three false claims to the

Louisiana Department of Education for reimbursements in connection with CACFP.

Two Pet Product Companies Agree To Pay \$736,000 for Ineligible Receipt of Market Access Program (MAP) Funds

In December 2006, two pet product companies agreed to a \$736,000 civil settlement with the U.S. Attorney's Office, Eastern District of Pennsylvania, after they received approximately \$600,000 in MAP funds for which they were not eligible. MAP funds are distributed by FAS to promote worldwide use and sale of agricultural products by U.S. small businesses, and companies must meet the Small Business Administration's definitions of "small business." In this case, the companies are affiliated, and the larger company employs more than 2,300 people with yearly revenues approaching \$1 billion, thereby making the first company ineligible to receive MAP funds..

Georgia Producer Ordered To Pay \$112,741 for Conversion of Mortgaged Property

In December 2006, a producer in Lenox, Georgia, was sentenced in U.S. District Court, Middle District of Georgia, to 18 months of imprisonment and ordered to pay \$112,741 in restitution for conversion of mortgaged property. In May 2002, the producer received a farm-operating loan from FSA secured with the producer's cotton, grape, peanut, and wheat crops. The producer harvested the crops and converted approximately \$74,000 in sales proceeds to his own use.

Oklahoma Man Sentenced to Prison, Ordered To Pay \$3.8 Million in Restitution for Obtaining Loans Using Falsified Documents

In January 2007, a former chief financial officer for an Okemah manufacturing company was sentenced in U.S. District Court, Northern District of Oklahoma, to 40 months of imprisonment and 60 months of supervised release, and ordered to pay \$3.8 million in restitution for obtaining Rural Development (RD) loans using falsified documents. The individual fraudulently obtained a \$2.9 million USDA-guaranteed loan and a \$2 million line of credit loan from a bank in Stillwater, Oklahoma, as well as a loan from another bank in Nowata, Oklahoma, for \$275,000. In January 2005, USDA paid the bank in Stillwater \$1.8 million as a result of the defaulted loans.

GOVERNMENTWIDE ACTIVITIES – GOAL 2

Participation on Committees, Working Groups, and Task Forces

- OIG continues to work with the PCIE and Department of Homeland Security (DHS) Working Groups to coordinate investigative efforts related to Hurricanes Katrina and Rita. OIG investigators worked to coordinate a request from the U.S. Department of Housing and Urban Development (HUD) OIG to enter into a computer-matching agreement with the Rural Housing Service (RHS) to identify improper and fraudulent disaster assistance payments, similar to the agreement in place between HUD and DHS' Federal Emergency Management Agency (FEMA).
- OIG investigators are participating in a task force to investigate criminal violations of FSP and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Members include the Michigan State Police and IRS Criminal Investigation. The FBI and DHS' Immigration and Customs Enforcement have provided assistance during warrant operations. The initiative has resulted in numerous warrant operations, guilty pleas, and forfeitures of proceeds directly linked to trafficking in EBT and WIC benefits. The task force is expected to continue through FY 2008.
- An OIG investigator has been working with the FBI's Safe Streets Task Force in Indianapolis, Indiana, since 2000. The mission of the task force is to deter street gang and drug-related violence, as well as seek the most significant fugitives wanted for crimes of violence through long-term, proactive, and coordinated teams of Federal, State, and local law enforcement officers and prosecutors.
- An OIG investigator is participating on the Ohio Organized Crime Investigations Commission (OOCIC) Task Force in Dayton. OOCIC provides assistance to local law enforcement agencies in the investigation of organized criminal activity. OIG investigators have participated in the OOCIC Dayton Task Force since 1996 and have conducted investigations involving welfare recipients, food stamp trafficking, mortgaged farm equipment stolen from farmers, stolen property trafficking, and dog-fighting.

ONGOING AND PLANNED REVIEWS FOR GOAL 2

Topics that will be covered in ongoing or planned reviews under Goal 2 include:

- continued monitoring of EBT implementation (Food and Nutrition Service (FNS)),
- Summer Food Service Program (FNS),
- WIC in Puerto Rico (FNS),
- Food Stamp Employment and Training Program (FNS),
- Child and Adult Care Food Program (FNS),
- food stamp retailer authorizations (FNS),
- FNS oversight of the National School Lunch Program,
- WIC vendor monitoring (FNS),
- Disaster Food Stamp Program for Hurricanes Katrina, Rita, and Wilma (FNS),
- crop loss and quality adjustments for aflatoxin-infected corn (RMA),
- Asian soybean rust claims (RMA),
- group risk crop insurance (RMA),
- catastrophic crop underwriting (RMA),
- prevented planting policy provisions (RMA),
- penalties assessed for inaccurate reporting of crop insurance acreage (RMA),
- implementation of \$500,000 claim decision process (RMA),
- Citrus Canker Eradication Compensation and Insurance Program (APHIS and RMA),
- implementation of the Tobacco Transition Payment (Tobacco Buyout) Program (FSA),
- programmatic treatment of crop base on land included in conservation easements (FSA and NRCS),
- interest assistance on guaranteed farm loans (FSA),
- adjusted gross income limitation (NRCS),
- emergency loan assistance (FSA),
- effectiveness of status reviews in assessing producer compliance with conservation provisions (NRCS and FSA),
- price support provisions for pulse crops (seeds of legumes used as food) (FSA),
- Conservation Security Program (NRCS), and
- Farm and Ranch Lands Protection Program – nationwide selected nongovernmental organization (NRCS).

The findings and recommendations from these efforts will be covered in future semiannual reports as the relevant audits and investigations are completed.

Management of Public Resources

OIG Strategic Goal 3:

Increase the efficiency and effectiveness with which USDA manages and employs public assets and resources, including physical and information resources

OIG conducts audits and investigations that focus on, for example, improved financial management and accountability, IT security and management, protection of public assets, employee corruption, natural resources, research, and the Government Performance and Results Act. Our work in this area is vital because the Department is entrusted with \$128 billion in public resources annually and hundreds of billions of dollars more in fixed assets such as the 192 million acres of national forests and wetlands. The effectiveness and efficiency with which USDA manages its assets are critical. USDA depends on IT to efficiently and effectively deliver its programs and provide meaningful and reliable financial reporting. One of the more significant dangers USDA faces is a cyberattack on its IT infrastructure, whether by terrorists seeking to destroy unique databases or criminals seeking economic gains.

In the first half of FY 2007, we devoted 35.5 percent of our total audit and investigative direct resources to

Goal 3, with 96.9 percent of these resources assigned to critical/high-impact work. A total of 93.1 percent of our audit recommendations under Goal 3 resulted in management decision within 1 year, and 65.6 percent of our investigative cases had criminal, civil, or administrative action taken. OIG issued 22 audit reports under Goal 3 during this reporting period. OIG investigations under Goal 3 yielded 55 indictments, 15 convictions, and about \$1.4 million in monetary results during the reporting period.

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 3

FY 2006 Office of the Chief Information Officer (OCIO) Information Technology Services (ITS) General Controls Review

Our report contained a qualified opinion on the ITS internal control structure and its effectiveness, and we believe the findings constitute a material internal control weakness to be reported in the agencies' (FSA, NRCS, and RD) Federal Managers' Financial Integrity Act reports. ITS has begun to implement controls over the weaknesses we identified.

We recommended that ITS ensure that security plans, risk assessments, contingency plans, and disaster recovery

Management Challenges Addressed Under Goal 3

- Interagency Communications, Coordination, and Program Integration Need Improvement (also under Goals 1 and 2)
- Implementation of Strong, Integrated Management Control (Internal Control) Systems Still Needed (also under Goal 2)
- Continuing Improvements Needed in IT Security (also under Goal 1)
- Implementation of Improper Payments Information Act Requirements Needs Improvement
- USDA's Response to the 2005 Hurricanes Needs Ongoing Oversight (also under Goal 2)

plans meet Office of Management and Budget (OMB), National Institute of Standards and Technology (NIST), and Departmental requirements and be updated after major system changes. In addition, we recommended ITS ensure that effective centralized change management, backup/recovery and vulnerability remediation, security incident handling, physical security, and security clearance and hardware maintenance processes are in place and operational in accordance with OMB and NIST guidance. We also recommended that inventory records be adequately maintained and Service Level Agreements contain all information required by NIST. Further, we recommended that ITS effectively test, monitor, and audit backup/recovery procedures and ensure that automatic notification of backups are turned on and reviewed weekly; develop interconnection security agreements for all third-party connections to the network that conform to NIST and OMB guidance; ensure timely removal of separated employees as well as the creation, modification, and deletion of user accounts commensurate with their job responsibilities; and update all computer equipment with the latest security patches. The agencies generally agreed with our recommendations and are taking corrective actions. (Audit Report No. 88501-7-FM, General Controls Review – FY 2006 OCIO ITS)

OIG's Continuing Response to the Gulf Coast Region Hurricanes

In our last two semiannual reports, we have highlighted OIG's continuing role with respect to Federal recovery efforts in the Gulf Coast region after Hurricanes Katrina and Rita. OIG auditors have several ongoing or planned reviews related to the hurricanes (see the end of this section on Goal 3). OIG continues to work with the President's Council on Integrity and Efficiency and DHS Working Groups to coordinate investigative efforts, maximize resources, and prevent duplicative work.

- OIG special agents working Hurricane Katrina Fraud Task Force investigations continue to receive referrals throughout the country on individuals who have submitted false claims or provided false statements to obtain Federal benefits. As hurricane reconstruction efforts proceed, OIG has begun receiving investigative

referrals from FSA and RD that involve larger monetary amounts of fraud or theft and more complex fraud cases. To date, OIG has conducted 18 investigations in Mississippi and Louisiana concerning cases in which FNS, FSA, and RD have been defrauded by individuals to obtain Hurricane Katrina disaster benefits. From October 1, 2006, through February 6, 2007, 37 individuals were indicted, 9 of whom have pled guilty and received sentences ranging from 24 months of probation to 12 months of incarceration. All of those sentenced were ordered to pay restitution, ranging from \$2,000 to \$13,400.

- In one fraud case, in January 2007, a woman was sentenced in U.S. District Court, Southern District of Illinois, to serve 48 months in Federal prison, followed by 36 months of supervised release, and was ordered to pay \$23,982 in restitution and a \$1,100 fine. The woman had obtained \$23,000 in Hurricane Katrina housing, food stamp, and cash assistance to which she was not entitled. She had also falsely claimed to have lost two children in Hurricane Katrina. The woman pled guilty in October 2006 to mail fraud and false statements.
- Unnecessary Housing Assistance Provided to Hurricane Victims: In an audit focusing primarily on the \$54 million in loan and grant funds being disbursed to repair hurricane damage, we found that RHS and other Federal agencies had not coordinated activities to prevent the duplication of Government housing assistance to victims. In addition, RHS had not required victims to provide information about damage reimbursement from insurance companies and assistance from charitable organizations, resulting in some victims receiving assistance from both RHS and other sources.

Our review disclosed about \$320,000 in emergency grant funds were awarded for non-disaster repairs; almost \$70,000 were provided to victims for repairs and improvements not related to health, safety, or handicap accessibility; and unlicensed contractors were employed to repair almost \$210,000 in damage. Moreover, disaster funds were vulnerable to misuse at

some field offices because loan and grant applications were received, reviewed, and approved by the same employee. Finally, RHS had not determined the number of agency loan accounts in jeopardy of default, or the costs associated with uninhabitable properties that likely needed to be destroyed.

We recommended that for future disasters RHS coordinate assistance with other Federal agencies, obtain a formal Office of the General Counsel (OGC) opinion regarding the proper use of disaster funds before distribution, require applicants to disclose assistance received from insurance companies and charitable organizations, and monitor field activities immediately after a disaster. (Audit Report No. 04601-15-Ch, Controls Over Single Family Housing (SFH) Funds Provided for Hurricane Relief Efforts)

- **USDA Needs Response and Recovery Plan for Future Grain Transportation Disruptions:** OIG found that USDA needed a response and recovery plan to relieve disaster transportation congestion. After Hurricanes Rita and Katrina, USDA developed four initiatives to alleviate transportation congestion on the Mississippi River: providing grants for moving damaged corn from New Orleans, promoting alternative warehouse storage, moving agricultural commodities through other regions, and encouraging the unloading of commodities that were left on barges in the New Orleans area. FSA implemented the initiatives and provided monetary assistance through CCC.

Due to the urgency of the situation, USDA initially used ad hoc procedures to negotiate noncompetitive agreements, and awarded three noncompetitive grants for alternative grain storage and barge movement projects to two companies. However, those verbal agreements lacked transparency and competition to minimize costs and ensure relief to all affected companies. The noncompetitive agreements had notably higher rates than those for similar services later solicited through competitive bidding – the differences totaled \$5.6 million. Of the \$38.75 million USDA authorized to fund the initiatives, \$22.7 million was

disbursed. USDA incurred additional expenditures by awarding noncompetitive grants, even though a substantial amount of the maximum available funds went unobligated.

In response to audit recommendations, the FSA Administrator agreed to coordinate with the Under Secretary for Farm and Foreign Agricultural Services, industry stakeholders, and other involved USDA and Federal agencies to develop and formalize a response and recovery plan for disruptions to the grain transportation and storage system. (Audit Reports Nos. 03601-21-KC and 03601-22-KC, Hurricane Relief Initiatives: Barge Movement and Alternative Storage Agreements)

Review of FY 2005 Congressional Earmarks

In response to a congressional request, our review determined that in FY 2005 the Department had 1,167 congressional earmarks (funds designated for specific projects), totaling \$1,338,873,451. We also found that the Department did not have a formal process for compiling earmark fund totals and dollar amounts that are reported to the Secretary. Because OMB has recently issued guidance concerning the treatment of earmark funds, we did not make any recommendations. (Audit Report No. 50601-15-Te, Review of FY 2005 Congressional Earmarks)

Saving the Chesapeake Bay Watershed Requires Better Coordination of Environmental and Agricultural Resources

This joint U.S. Environmental Protection Agency (EPA) OIG and USDA OIG review found that EPA must improve its coordination and collaboration with its bay partners and the agricultural community to better reduce nutrients and sediment entering the Chesapeake Bay watershed. USDA, a bay partner at the Federal level, could significantly assist EPA in implementing the needed conservation practices within the agricultural community, given its many conservation programs, extensive field organization, and long experience working with the agricultural community. However, USDA has not coordinated such a Departmentwide strategy or policy.

Responding expeditiously to our recommendations, USDA assigned a senior-level official – the Under Secretary for Natural Resources and Environment – to coordinate with EPA’s Chesapeake Bay Program. He will direct and coordinate goals and programs across USDA mission areas and agencies. The Department also agreed to direct agencies to expedite the development and implementation of outcome-based performance measurements to evaluate the effectiveness of their conservation efforts and programs. Further, the Secretary’s announcement of USDA’s 2007 Farm Bill proposals included the creation of a new Regional Water Enhancement Program, focusing on cooperative approaches to enhancing water quantity and/or quality on a regional scale, which we anticipate will explore the feasibility of targeting USDA funds geographically. (Audit Report No. 50601-10-HQ, Saving the Chesapeake Bay Watershed Requires Better Coordination of Environmental and Agricultural Resources)

Without Major Changes, Large-Fire Suppression Costs Will Continue To Escalate

Our review concluded that FS’s escalating costs to fight wildfires are largely due to its efforts to protect private property in the wildland urban interface (WUI) where private homes border FS lands. From FY 2000 to FY 2006, FS suppression costs averaged \$900 million annually and exceeded \$1 billion in 4 of those years. In some years, FS borrowed funds from other programs to pay for its wildfire suppression activities, adversely affecting FS’ ability to accomplish work in other areas. Public expectations and uncertainties among Federal, State, and local fire management agencies about roles and responsibilities compel FS to suppress fires aggressively and at great expense when private property is at risk, even when there is little threat to National Forest System lands. Approximately 85 percent of WUI acreage is on non-Federal lands, but FS bears the majority of WUI protection costs, thus incurring



A home in the WUI being threatened by wildfire. FS photo.

50 to 100 percent of its large wildfire expenditures. Efforts to reduce these costs need to include more equitable burden-sharing with State and local governments who have the authority to regulate growth in WUI.

In addition, FS needs to modify its policies that unduly restrict the use of fire to reduce hazardous fuels (brush, dead trees) on FS land. The agency may also lack enough specialized personnel needed to take advantage of such opportunities. Further, FS 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 adequately allow FS management to assess the effectiveness of its wildfire suppression cost-containment efforts, and cost-containment reviews had limited effectiveness. FS concurred and is implementing corrective actions. (Audit Report No. 08601-44-SF, FS Large-Fire Suppression Costs)

FS Needs To Improve How It Conveys Excess Property

To help FS reduce its deferred maintenance backlog, Congress authorized the agency to sell surplus properties. We found that (1) FS' process for identifying excess properties and nominating them for sale was slow and could not ensure that all such properties were identified and nominated for the conveyance program and (2) FS was taking about 2 years to complete the conveyance process once sites were approved. Because properties with structures are not being maintained during this time, they continue to deteriorate and lose value. We concluded that FS could improve its procedures for timely identifying, nominating, and completing conveyance sales. Further, we found that FS needed to evaluate its marketing practices because it limited how it offered properties, both in terms of where it advertised and how long it left properties on the market. As a result, the agency may have sold 8 of 38 properties for a total of \$648,497 beneath the estimated market value of \$5.2 million. In addition, FS did not determine the most cost-effective marketing methods that are best

suitable for the agency and will obtain the best prices for the property. FS agreed with our conclusions and agreed to take prompt corrective action. (Audit Report No. 08001-1-At, Implementation of the Capital Improvement Program)

FS' Controls Over Fleet Credit Cards Need Improvement

FS maintains USDA's largest vehicle fleet and assigns a fleet credit card to each vehicle. This card is used to fuel and (in emergencies) maintain the vehicles. FS personnel charged \$48 million to these cards in FYs 2004 and 2005. We found that FS lacked adequate control over use of these cards and, therefore, was unaware of approximately \$3.7 million in unsupported charges.

The agency relied on an automated control system, the Purchase Card Management System (PCMS). However, users of fleet credit cards were not required to keep receipts for non-fuel expenditures nor did they record odometer readings when they purchased fuel, actions necessary to verify the appropriateness of the purchases. In addition, FS employees were not using many of the controls PCMS offered, such as establishing reasonable profiles on each credit card to alert them of unusual transactions. Consequently, users charged \$2.5 million in non-fuel transactions, of which \$1.3 million was categorized as "miscellaneous," "null," and "unassigned." In addition, users purchasing prohibited premium and mid-grade fuels spent an estimated \$201,581 above the cost of regular unleaded fuel. Approximately \$2.1 million of the \$3.7 million in unsupported charges was charged to 1,871 fleet credit cards not assigned to a vehicle, violating USDA regulations and making it more difficult to assess the validity of expenditures.

FS agreed to (1) conduct management reviews of the fleet credit card operations, (2) strengthen controls over fleet credit cards and how PCMS is used to monitor those cards, and (3) require that receipts for non-fuel transactions be submitted for verification. (Audit Report No. 08601-3-Te, Controls Over FS Vehicle Fuel and Maintenance Costs)

FAS Needs To Engineer a Global Market Strategy To Improve U.S. Competitiveness in World Agricultural Export Markets

Our review determined that FAS had timely implemented 10 of the 13 provisions impacting international trade of agricultural commodities contained in the 2002 Farm Bill and improved the operation of its food aid programs in accordance with the recommendations of the 2002 President’s Management Agenda (PMA). However, the agency has not developed a business process to complete a Global Market Strategy to increase the Nation’s agricultural exports. From 1990 to 2005, the dollar value of U.S. exports rose by 39 percent, but larger export gains by foreign competitors eroded the United States’ market share of global exports by 32 percent.

In addition, FAS lacks a standardized definition to distinguish unprocessed bulk farm commodities from high-value and processed products, to ensure that the agency targets 35 percent of its export credit guarantee program funds to support exports of high-value and processed products. Finally, FAS needs to complete outcome-oriented performance measures and its planned food aid information system to provide meaningful evaluation reports on the agency’s efforts to achieve the legislated performance goals of its food aid programs. We recommended that FAS develop business processes to integrate agency reviews, analyses, and

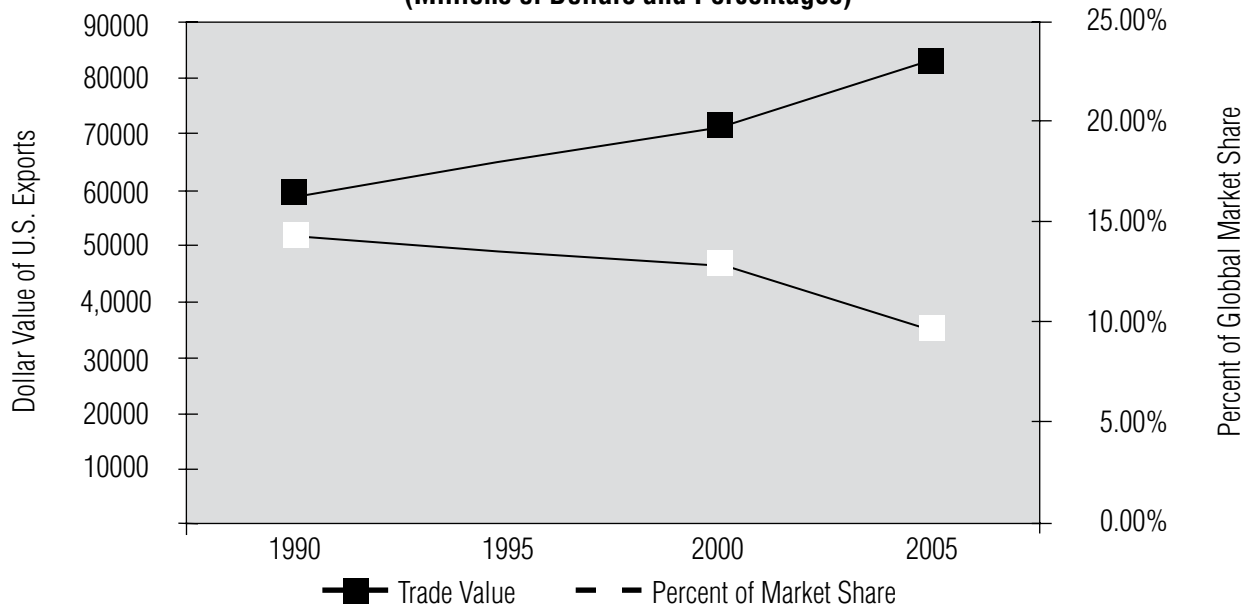
other strategic information; clarify its definitions for bulk, high-value, and processed products; and adopt uniform outcome-based performance measures and implement its food aid information system. (Audit Report No. 50601-12-At, Implementation of Trade Title of 2002 Farm Bill and PMA)

FAS Trade Promotion Operations

In August 2006, three Members of Congress asked OIG to perform an expedited review of the FAS programs designed to foster expanded agricultural trade, determine how trade information is collected and disseminated to interested U.S. organizations, ascertain how FAS interacts with the U.S. Trade Representative, discuss linkages between USDA accomplishments for promoting exports with the National Export Strategy, and discuss the effectiveness of the Market Access Program (MAP).

We found that FAS does not formally track its efforts to expand trade activities in exporting U.S. agricultural products, nor does it have a mechanism for summarizing trade barrier information. The 2006 National Export Strategy submitted to Congress by the Secretary of Commerce did not present USDA’s annual accomplishments for promoting the export of U.S. agricultural products, nor did it relate information to USDA’s Performance and Accountability Report. Looking at the use of MAP funds in

**U.S. Exports and Share of Global Agricultural Markets
(Millions of Dollars and Percentages)**



Source: World Trade Organization International Trade Statistics and OIG Analysis

the Philippines, we found that as of September 2006, three participants in that country received more than \$780,000 in MAP funds during FY 2005 and requested more than \$609,000 for FY 2006. However, program evaluations, as prescribed by the MAP regulations, were not done.

FAS generally agreed with our five recommendations, but provided specific information on how it would implement only two of them. We will continue to work with the agency on the remaining recommendations. (Audit Report No. 07601-1-Hy, FAS Trade Promotion Operations)

FSA Has Adequate Controls To Minimize and Recover Overpayment for Advanced Counter-Cyclical Payments

FSA's Direct and Counter-Cyclical Payment Program protects agricultural producers from low market prices by issuing counter-cyclical payments – often in advance – up to the commodity's target price (statutory benchmark) in a given crop year (CY). If a commodity's effective price (the higher of the national average market price or crop loan rate, plus the direct (fixed) payment rate) for a given year is less than its target price, producers are paid the difference, known as a counter-cyclical payment. Producers must return the amount, if any, by which the advance payment exceeds the actual counter-cyclical payment.

For CYs 2003 and 2004, FSA made counter-cyclical payments totaling about \$1 billion and \$4.4 billion, respectively, including overpaying in advance \$477.4 and \$174.2 million, respectively. Of the \$652 million in advance overpayments made for CYs 2003 and 2004, \$651 million (99.9 percent) was recovered as of July 10, 2006. The overpayments was primarily recovered through offset of future Direct and Counter-Cyclical Payment Program payments, which is the established procedure. We found that FSA has adequate controls in place to minimize and recover advanced counter-cyclical overpayments and, accordingly, made no recommendations. (Audit Report No. 03008-1-At, Advanced Counter-Cyclical Overpayments and Recovery)

South Dakota Producer Pleads Guilty to Threatening FSA Employee

In September 2006, a Rapid City producer pled guilty in U.S. District Court, District of South Dakota, to verbally threatening an FSA employee and making false statements to FSA. In January 2007, the producer was sentenced to serve 24 months of probation and fined \$500. The producer had made false statements on applications to obtain loans totaling \$200,000. When confronted with the false information, the producer threatened to assault the FSA loan manager.

Michigan Farming Operation Found Liable Regarding Crop Insurance Fraud

In November 2006, a Federal judge in the Eastern District of Michigan found a Bay City family farming operation civilly liable on three counts of filing false multi-peril crop insurance claims. The judge ordered the farming operation to repay treble damages, totaling more than \$2.1 million, for False Claims Act violations. The judge also fined the farming operation \$15,000. The farming operation had concealed production from RMA to increase fraudulent crop insurance claims.

Former RD Employee Sentenced for Assault on Former Supervisor

In November 2006, a former RD employee was sentenced in Grand Traverse County, Michigan, Circuit Court to serve 9 months of probation and 14 days of community service, fined \$495, and ordered to attend numerous counseling programs for drunk and disorderly conduct after assaulting a former supervisor. In September 2006, the former RD employee assaulted the former supervisor when she attended an agency-sponsored conference in Traverse City, Michigan. The former employee claimed to have been too intoxicated on the night in question to recall the assault.

Improvements Needed in RD's Dedicated Loan Origination and Servicing System (DLOS) Security and Application Controls

DLOS is used to originate and service SFH loans totaling more than \$13 billion. Our audit found that RD had not established an effective security program, had not conducted a thorough certification and accreditation (C&A), and had not appropriately established interconnection security agreements. Further, RD did not adequately monitor contractor compliance with OMB and NIST guidance when the contractors prepared the documentation supporting the certification of the system. As a result, critical loan portfolio information was unnecessarily jeopardized.

We recommended that RD ensure that the DLOS security plan accurately reference ITS and National Information Technology Center (NITC) documents, and that adequate documentation be maintained to verify that all controls in the security plan were implemented; perform a C&A that fulfills the requirements of full system accreditation; and ensure that the C&A includes adequate Security Testing and Evaluation testing and appropriate supporting documentation. We also recommended that RD establish agreements with all entities with systems connecting with DLOS, NITC, and ITS general support systems that include rules of behavior and controls; establish controls to ensure staff and contractors do not exceed assigned levels of authority; ensure all testing of dataset rules is completed within the test libraries; and establish controls to ensure system software changes are properly authorized, tested, and documented before migration to the production environment. RD generally agreed, with the exception of the recommendation to revise its disaster recovery plan, stating that mainframe recovery is more crucial to restoring operations and the mainframe component can be used in lieu of the Web-based component to collect loan data. (Audit Report No. 85501-1-FM, Security and Application Controls – RD's DLOS)

Office of Procurement and Property Management (OPPM) Review of Acquisition Planning and Processing

USDA's Integrated Acquisition System (IAS) is intended to provide a single enterprise-wide acquisition system. We found that IAS had the potential to aid in meeting control objectives; however, it does not provide control over all areas and by itself cannot ensure that all control objectives of the acquisition process are met. In addition, we found that OPPM had not implemented procedures to confirm that component agencies comply with requirements not controlled by IAS, specifically, issuing solicitations and monitoring contractor performance. In addition, the Automated Workforce Tracking System (AWTS) did not have sufficient storage capacity to handle records for all acquisition workforce personnel. In response to our recommendations, OPPM agreed that additional controls through process reviews and increased IAS functionality would strengthen oversight of component agency activities. OPPM plans to issue additional policy to component agencies to increase the number of contract review boards specifically addressing solicitation review and proposal evaluation, strengthen component agency acquisition strategy planning, stress the importance of monitoring contractor performance, require agencies to periodically report to OPPM the results of their reviews, and expand the capabilities of AWTS or a replacement system. (Audit Report No. 89017-1-Hy, OPPM Review of Acquisition Planning and Processing)

NRCS Oversight of Contract Administration Needs Improvement

We determined that NRCS' administration of its procurement activity was conducted in accordance with Federal, Departmental, and agency regulations. However, NRCS' system of internal controls over its procurement activities needed to be strengthened. Specifically, NRCS did not complete a sufficient number of planned oversight reviews to ensure that procurement activities totaling more than \$170 million were consistently performed in an appropriate manner, and lacked other compensating controls. Firm-fixed-price contracts were increased without

justification, and sealed bids were opened and reviewed by only one individual. NRCS also had not fully implemented IAS. We recommended that NRCS develop and implement control techniques to ensure that a sufficient number of procurement oversight reviews are performed to detect and resolve identified deficiencies, implement a strategy to resolve resource-related impacts on its management controls over contracting, and implement policies and procedures on how the agency will use and monitor IAS. The agency concurred with our recommendations and has begun to implement corrective actions. (Audit Report No. 10001-01-Hy, Review of Contract Administration at NRCS)

USDA Implementation of the Improper Payments Information Act of 2002 (IPIA) Needs Improvement

The Office of the Chief Financial Officer (OCFO), the lead agency for coordinating and reporting the Department's efforts to implement IPIA, has designated compliance with IPIA as a top priority for FY 2007. In our ongoing effort to evaluate USDA's compliance with IPIA requirements, OIG audited the FS and RHS processes for determining improper payments that were reported in the FY 2006 Performance and Accountability Report. Our audits found that 1) valid statistical samples had not been performed, 2) improper payments reported in FY 2005 were not properly calculated, 3) RHS oversight of corrective actions was not sufficient to ensure they were effective, and 4) FS did not have a process in place for recovering improper payments and RHS overstated the amount recovered. We recommended that the agencies develop and implement controls to ensure that the identification and reporting of improper payments, including statistical sampling processes, comply with all OMB and OCFO requirements. The agencies concurred with our recommendations and are using the results of our work to improve the FY 2007 process. (Audit Reports Nos. 04601-14-Ch and 08601-47-SF; respectively, RHS' and FS' Progress To Implement IPIA)

USDA FY 2006/2005 Consolidated Financial Statements – Unqualified Opinion

The USDA consolidated financial statements for FY 2006/2005 received an unqualified audit opinion. In our report on internal controls over financial reporting, we identified three reportable conditions, of which two rose to the level of material weakness: improvements needed in overall financial management across USDA, and improvements needed in IT security and controls. The third reportable item was related to improvements needed in certain financial management practices and processes. We also reported three instances of noncompliance relating to the Federal Financial Management Improvement Act of 1996 (FFMIA), IPIA, and managerial cost accounting practices. In addition, the Department reported two potential Anti-Deficiency Act (ADA) violations in its FY 2006 Statement of Assurance relating to FS and CCC. The Department is working with the agencies and OGC to determine whether the potential ADA violations actually occurred. OCFO generally agreed with the recommendations and plans to develop corrective actions.

The stand-alone agencies of CCC, FS, RD, FNS, the Federal Crop Insurance Corporation (FCIC), and the Rural Telephone Bank (RTB) also received unqualified opinions.

The audit of CCC identified three material weaknesses related to improvements needed in information security controls, financial systems functionality and funds control, and financial accounting and reporting policies and procedures. Two reportable conditions were identified related to improvements needed in producer monitoring procedures and management's review procedures related to the development, implementation, and maintenance of credit reform cashflow models. Two instances of noncompliance were identified related to the Federal Information Security Management Act (FISMA) and FFMIA.

The audit of FS identified two material weaknesses related to improvements needed in FS' financial management and reporting process and general controls environment. Eleven reportable conditions were identified related to various financial and management issues, and two instances of noncompliance were identified related to appropriations law and FFMA.

The audit of RD identified one material weakness related to IT; three reportable conditions related to the credit reform quality control process, the Rural Telecommunications Program unliquidated obligations certification process, and RD's liquidating methodology and subsidy allowance calculations; and one instance of noncompliance with FFMA.

The audit of FNS identified the agency was not in full compliance with IPIA. The audits of FCIC and RTB

identified no material weaknesses, reportable conditions, or noncompliance with laws and regulations. (Audit Reports Nos. 50401-59-FM, 06401-21-FM, 27401-31-Hy, 08401-07-FM, 05401-15-FM, 85401-13-FM, and 15401-07-FM; respectively, USDA's, CCC's, FNS', FS', FCIC's, RD's, and RTB's Financial Statements for FY 2006/2005)

USDA Receives Clean Opinion on FY 2006 Special Purpose Financial Statements

USDA received an unqualified opinion on its FY 2006 special purpose financial statements. We found no material weaknesses in internal controls over the financial reporting process and our tests of compliance with Treasury Financial Manual Chapter 4700 requirements disclosed no instances of noncompliance that are required to be reported under U.S. Government Auditing Standards and OMB Bulletin No. 06-03, as amended. (Audit Report No. 50401-61-FM, Audit of USDA's Closing Package for FY 2006)

GOVERNMENTWIDE ACTIVITIES – GOAL 3

Review of Legislation, Regulations, Directives, and Memoranda

- As part of its continuing efforts to strengthen conflict-of-interest policies and procedures for the approved insurance providers (AIP) and their agents and loss adjustors involved in the Federal crop insurance program, RMA requested OIG auditors' comments and feedback on its draft policies and procedures. These continuing efforts, which began with the 2005 Standard Reinsurance Agreements with the AIPs, were partly prompted by OIG auditors' recommendations in previous audit reports. Specifically, RMA had sought our comments and feedback on a draft disclosure of the conflict-of-interest form to be used by the AIPs and their agents and loss adjustors. We commented both on the draft form and the accompanying draft question-and-answer document.
- OIG commented on the proposed rule to amend regulations that govern the selection and functions of FSA State and county committees, published at 71 Fed. Reg. 68,755 (Nov. 28, 2006). OIG noted that the proposed regulation may not comply with FSA's Uniform Guidelines for Conducting FSA County Committee Elections (see 70 Fed. Reg. 2837 (Jan. 18, 2005)) in terms of (1) balloting methods and (2) filing election reports. In addition, the proposed regulation may not sufficiently clarify the selection and function of area committees, as distinct from county committees. The proposed regulation also states that even if an eligible voter has an interest in land located in more than one local administrative area in a single county, the voter is still entitled to only one vote in one local administrative area in the county (see 71 Fed. Reg. 68,758). However, the regulation is not clear on how to determine exactly where the individual is eligible to vote. OIG recommended that the proposed rule clarify all the above issues.

Participation on Committees, Working Groups, and Task Forces

- In January, the USDA IG was elected to serve as the Chair of the PCIE's Legislation Committee. The Legislation Committee ensures that the PCIE is kept abreast of matters in the congressional arena of interest to the Inspector General community. The committee also develops, coordinates, and represents the official PCIE positions on legislative issues. Committee activities during this reporting period included reviewing pending legislation that would amend the IG Act and preparing comments on Federal Acquisition Regulation changes related to OIG hotlines.
- The IG completed her third year as a member of the Comptroller General's Advisory Council on Government Auditing Standards. Sponsored by the Government Accountability Office, the Advisory Council offers advice to the Comptroller General of the United States. The Council updated and issued the Government Auditing Standards (*Yellow Book*) in January 2007.
- The IG serves on the PCIE Audit Committee, which provides leadership and guidance to the Federal audit community by sponsoring audits of Governmentwide issues and developing and maintaining professional standards for OIG audit activities. Committee activities during this period included providing oversight for the Inspector General Auditor Training Institute, supporting the Government Accountability Office in updating the *Government Auditing Standards*, approving the FISMA framework, and leading a review on the quality of audits performed under the Single Audit Act.

GOVERNMENTWIDE ACTIVITIES – GOAL 3

- The PCIE IT Round Table established the Digital Forensic Working Group, consisting of 19 PCIE and Executive Council on Integrity and Efficiency (ECIE) agencies, including the U.S. Department of Justice's Computer Crime and Intellectual Property Section. In October 2006, the working group was convened to establish Computer Forensic Standards for the OIG community, similar to the *Government Auditing Standards* and the *Investigative Standards for GS-1811s*. The group determined that the best way to establish these standards was to incorporate them in the Quality Assurance Review (QAR) process, and developed questions for the QAR consistent with the Quality Standards for Investigations (QSI), which are specific to computer forensics. The Director of OIG's National Computer Forensic Division (NCFD) continues to participate in the development of questions for the QAR. NCFD has also provided copies of its policies and procedures to members of the round table as examples for OIG forensic units that are developing policies and procedures for their labs.

Testimony Delivered

- *IG Testifies Before the Senate Committee on Energy and Natural Resources, Regarding Wildland Fire Issues.* On January 30, 2007, the IG presented testimony on the major findings and recommendations from OIG audits regarding FS' Healthy Forests Initiative and large-fire suppression costs. The IG testified that FS' wildfire suppression costs exceeded \$1 billion in 4 of the past 7 years, and that the majority of FS' large-fire suppression costs are directly linked to protecting

private property – as opposed to National Forest System land – in the wildland urban interface (WUI). OIG recommended that FS managers evaluate their agreements with State and local governments to ensure that the costs of protecting the WUI are appropriately apportioned, since agency fire-suppression costs could be significantly reduced – and firefighter safety improved – if the Federal Government could proactively work with State and local governments regarding prudent “Firewise” zoning and building codes. OIG recommended that FS reduce the buildup of hazardous fuels, increase the number of qualified personnel, and expand Wildland Fire Use to help control future fire costs.

- *Phyllis Fong Testifies Before the House Committee on Appropriations' Subcommittee on Agriculture, Rural Development, and Related Agencies, Regarding OIG's FY 2008 Budget Request.* On March 1, 2007, the IG and OIG senior managers presented testimony in support of the President's FY 2008 budget request for OIG. Their testimony provided an overview of OIG's significant audit and investigative work in the prior 12 months and noted important work now underway or planned for 2007. The IG's testimony emphasized OIG's work involving food safety, the security of USDA's IT systems, food stamp and WIC investigations, the extensive OIG oversight response to Gulf Coast hurricanes, and reviews of improper payment issues at USDA agencies. The testimony also discussed OIG's work assessing the Department's response to avian influenza and several audits involving FAS and USDA farm programs.

ONGOING AND PLANNED REVIEWS FOR GOAL 3

Topics that will be covered in ongoing or planned reviews under Goal 3 include:

Hurricane Relief Initiatives:

- Emergency Watershed Protection Program and Dead Animal Debris Disposal Project (NRCS),
- Emergency Conservation Program (FSA),
- Section 32 disaster programs including the Feed, Hurricane (crop), Livestock, and Tree Indemnity Programs and aquaculture grants (FSA and CCC),
- Emergency Forestry Conservation Reserve Program (FSA).

Other Goal 3 Work:

- USDA employee civil rights complaints (Office of Civil Rights (CR)),
- controls over producers disqualified from farm programs (FSA),
- financial management controls over reinsured companies (RMA),
- RMA compliance activities,
- contracting for services under the Agricultural Risk Protection Act of 2000 (RMA),
- RMA's 2005 emergency hurricane relief efforts in Florida,
- FS Air Safety Program,
- FS controls over documenting and reporting its hurricane relief expenditures to FEMA,
- FS Stewardship Contracting Program,
- FS Invasive Species Program,
- management of FS Forest Legacy Program,
- replacement plan for firefighting aerial resources (FS),
- FS' use of contracted labor,
- oversight and control of FS activities,
- effectiveness and enforcement of debarment and suspension regulations in USDA,
- implementation of renewable energy programs in USDA,
- security and application controls in RD's DLOS (RHS),
- RBS' Intermediary Relending Program,
- Business and Industry guaranteed lenders with loans in default (RBS),
- origination practices for the SFH Section 502 Direct Loan Program (RHS),
- Rural Rental Housing (RRH) construction costs (RHS),
- guaranteed loan losses (RHS),
- RHS force-placed hazard insurance,
- selected Section 538 project (RHS),
- servicing of lenders' guaranteed loans (RHS),
- Oklahoma RRH Management Company (RHS),

- Rural Utilities Service (RUS) controls over Water and Waste Disposal Loan and Grant Program,
- the Department and stand-alone agencies' financial statements for FYs 2006 and 2007 (OCFO),
- agreed-upon procedures: retirement, health, and life insurance withholdings/contribution and supplemental headcount report submitted to Office of Personnel Management (OPM) for FYs 2006 and 2007 (OCFO),
- continuing reviews of improper payments including the risk assessment process and monitoring the progress of corrective actions (FSA and RHS),
- application control review of the Store Tracking and Redemption Subsystem II (FNS),
- management and security over USDA wireless connections (OCIO),
- FY 2007 National Finance Center (NFC) general controls,
- FISMA – FY 2007 (OCIO),
- e-Gov security (OCIO),
- contract administration at NRCS,
- monitoring of USDA implementation of Cost Accounting System (OCFO),
- ITS general controls – FY 2007 (OCIO),
- minimum security requirements in USDA information systems (OCIO),
- NITC FY 2007 general controls (OCIO),
- management over Time & Attendance data processing by TIME at NFC (OCFO),
- controls over e-payments at OCFO/NFC,
- IT – stolen computer equipment containing sensitive information (OCIO),
- followup on the Packers and Stockyards Programs (GIPSA),
- effective use of satellite imagery by USDA agencies (FSA and NRCS),
- Wetlands Reserve Program restoration compliance (NRCS),
- contract administration at NRCS,
- grants to Tribal Land Grant Institutions (CSREES),
- National Research Initiative Competitive Grants (CSREES),
- international trade policy and procedures (FAS),
- Trade Adjustment Assistance for Farmers (FAS), and
- ARS research agreement monitoring.

The findings and recommendations from these efforts will be covered in future semiannual reports as the relevant audits and investigations are completed.

Gauging the Impact of the OIG

PROGRESS AGAINST THE OIG STRATEGIC PLAN

The first way we gauged our impact was by measuring the extent to which our work focused on the key issues under our three strategic goals:

- Support USDA in the enhancement of safety and security measures to protect USDA and agricultural resources and in related public health concerns.
- Reduce program vulnerabilities and enhance integrity in the delivery of benefits to individuals
- Increase the efficiency and effectiveness with which USDA manages and employs public assets and resources, including physical and information resources.

IMPACT OF OIG AUDIT AND INVESTIGATIVE WORK ON DEPARTMENT PROGRAMS

A second way we gauge our impact is by tracking the outcomes of our audits and investigations. Many of these measures are codified in the Inspector General Act of

1978, as amended. The following pages present a statistical overview of the OIG's accomplishments this period.

FOR AUDITS WE SHOW

- reports issued
- management decisions made (number of reports and recommendations)
- total dollar impact of management-decided reports (questioned costs and funds to be put to better use)
- program improvement recommendations
- audits without management decision

FOR INVESTIGATIONS WE SHOW

- indictments
- convictions
- arrests
- total dollar impact (recoveries, restitutions, fines)
- administrative sanctions
- OIG Hotline complaints

PERFORMANCE RESULTS TOTALS UNDER OUR STRATEGIC GOALS

Performance Measures	FY 2006 Baseline	FY 2007 Target	FY 2007 1st Half Actual
Audit/Investigative resources dedicated to critical/high-impact work	91.8%	90%	92.0%
Audit recommendations resulting in management decision within 1 year	89.5%	85%	87.6%
Investigative cases where criminal, civil, or administrative action is taken in response to OIG reports	77.4%	65%	74.7%

SUMMARY OF AUDIT ACTIVITIES

OCTOBER 2006 – MARCH 2007

REPORTS ISSUED		38
AUDITS PERFORMED BY OIG		29
EVALUATIONS PERFORMED BY OIG		0
AUDITS PERFORMED UNDER THE SINGLE AUDIT ACT		0
AUDITS PERFORMED BY OTHERS		9
MANAGEMENT DECISIONS MADE		
NUMBER OF REPORTS		25
NUMBER OF RECOMMENDATIONS		233
TOTAL DOLLAR IMPACT (MILLIONS) OF MANAGEMENT-DECIDED REPORTS		\$11.4
QUESTIONED/UNSUPPORTED COSTS		\$11.3 ^{ab}
RECOMMENDED FOR RECOVERY	\$0.9	
NOT RECOMMENDED FOR RECOVERY	\$10.3	
FUNDS TO BE PUT TO BETTER USE		\$0.1

^a These were the amounts the auditees agreed to at the time of management decision.

^b The recoveries realized could change as the auditees implement the agreed upon corrective action plan and seek recovery of amounts recorded as debts due the Department.

SUMMARY OF INVESTIGATIVE ACTIVITIES

OCTOBER 2006 – MARCH 2007

Reports Issued		155
Cases Opened		209
Cases Closed		167
Cases Referred for Prosecution		107
IMPACT OF INVESTIGATIONS		
Indictments		171
Convictions		101 ^a
Searches		69
Arrests		453
TOTAL DOLLAR IMPACT (MILLIONS)		\$43.5
Recoveries/Collections	\$7.9 ^b	
Restitutions	\$23.4 ^c	
Fines	\$2.4 ^d	
Claims Established	\$8.8 ^e	
Cost Avoidance	\$0.5 ^f	
Administrative Penalties	\$0.5 ^g	
ADMINISTRATIVE SANCTIONS		58
Employees		17
Businesses/Persons		41

^a Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 117 convictions do not necessarily relate to the 133 indictments.

^b Includes money received by USDA or other Government agencies as a result of OIG investigations.

^c Restitutions are court-ordered repayments of money lost through a crime or program abuse.

^d Fines are court-ordered penalties.

^e Claims established are agency demands for repayment of USDA benefits.

^f Consists of loans or benefits not granted as the result of an OIG investigation.

^g Includes monetary fines or penalties authorized by law and imposed through an administrative process as a result of OIG findings.

**INVENTORY OF AUDIT REPORTS
WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE**
FROM OCTOBER 1, 2006, THROUGH MARCH 31, 2007

		NUMBER	DOLLAR VALUE
A.	FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 2006	9	\$323,696,063
B.	WHICH WERE ISSUED DURING THE REPORTING PERIOD	3	\$5,988,842
TOTALS		12	\$329,684,905
C.	FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THE REPORTING PERIOD	1	
	(1) DOLLAR VALUE OF DISALLOWED COSTS		\$115,878
	(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$0
D.	FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THE REPORTING PERIOD	11	\$329,569,027
	REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	7	\$323,455,788

**INVENTORY OF AUDIT REPORTS WITH
QUESTIONED COSTS AND LOANS**
FROM OCTOBER 1, 2006, THROUGH MARCH 31, 2007

		DOLLAR VALUES		
		NUMBER	QUESTIONED COSTS AND LOANS	UNSUPPORTED ^a COSTS AND LOANS
A.	FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 2006	21	\$109,749,010	\$49,055,663
B.	WHICH WERE ISSUED DURING THIS REPORTING PERIOD	5	\$6,505,601	\$2,370,789
TOTALS		26	\$116,254,611	\$51,426,452
C.	FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THIS REPORTING PERIOD	8		
	(1) DOLLAR VALUE OF DISALLOWED COSTS			
	RECOMMENDED FOR RECOVERY		\$935,459	\$285,211
	NOT RECOMMENDED FOR RECOVERY		\$10,328,657	\$87,592
	(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$1,475,768	
D.	FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	18	\$103,750,430	\$50,357,412
	REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	14	\$97,337,682	\$48,074,215

^a Unsupported values are included in questioned values.

PROGRAM IMPROVEMENT RECOMMENDATIONS

A significant number of our audit recommendations carry no monetary value per se, but their impact can be immeasurable in terms of safety, security, and public health. They can also contribute considerably toward economy, efficiency, and effectiveness in USDA's programs and operations. During this reporting period, we issued 144 program improvement recommendations, and management agreed to implement a total of 142 program improvement recommendations that were issued this period or earlier. Examples of the program improvement recommendations issued this period (see the main text of this report for a summary of the audits that prompted these program improvement recommendations) include the following:

- APHIS agreed to issue policy to clarify CBP's responsibilities for Transportation and Exportation permits that allow prohibited and restricted agricultural commodities to be trans-shipped across the country to foreign destinations, and for the handling of seized agricultural products at ports of entry. APHIS also agreed to develop a process to allow both agencies to assess the risk of agricultural products entering the country by rail.
- RMA agreed to issue a notice to advise insurance providers of the unacceptable documents that have been used and to clarify what documents are acceptable for substantiating AGR policies and claims.
- USDA agreed to assign a senior-level official to coordinate with EPA's Chesapeake Bay Program, and to direct agencies to expedite the development and implementation of outcome-based performance measurements to evaluate the effectiveness of their conservation efforts and programs.
- FS agreed to modify its policies that unduly restrict the use of fire to reduce hazardous fuels (brush, dead trees) on FS land.
- FS agreed to determine the most cost-effective marketing methods for surplus properties that are best suited for the agency and will obtain the best prices for the property.
- FS agreed to (1) conduct management reviews of the fleet credit card operations and (2) strengthen controls over fleet credit cards and how PCMS is used to monitor those cards.
- RD agreed to ensure that adequate documentation is maintained to verify that all controls in the DLOS security plan were implemented; perform a C&A that fulfills the requirements of full system accreditation; and ensure that the C&A includes adequate Security Testing and Evaluation testing and appropriate supporting documentation.
- FS and RHS agreed to develop and implement controls to ensure that the identification and reporting of improper payments, including statistical sampling processes, comply with all OMB and OCFO requirements.

SUMMARY OF AUDIT REPORTS RELEASED FROM OCTOBER 1, 2006, THROUGH MARCH 31, 2007

DURING THE 6-MONTH PERIOD FROM OCTOBER 1, 2006, THROUGH MARCH 31, 2007, THE OFFICE OF INSPECTOR GENERAL ISSUED 38 AUDIT REPORTS, INCLUDING 9 PERFORMED BY OTHERS.

THE FOLLOWING IS A SUMMARY OF THOSE AUDITS BY AGENCY:

AGENCY	AUDITS RELEASED	QUESTIONED COSTS AND LOANS	UNSUPPORTED ^a COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGRICULTURAL RESEARCH SERVICE	1			
ANIMAL AND PLANT HEALTH INSPECTION SERVICE	1			
OFFICE OF THE CHIEF INFORMATION OFFICER	1			
COMMODITY CREDIT CORPORATION	1			
FARM SERVICE AGENCY	3			\$5,600,000
FOOD AND NUTRITION SERVICE	1			
FOREIGN AGRICULTURAL SERVICE	1			
FOREST SERVICE	10	\$3,783,205	\$87,592	
MULTIAGENCY	8			
NATURAL RESOURCES CONSERVATION SERVICE	1			
OFFICE OF PROCUREMENT AND PROPERTY MANAGEMENT	1			
RISK MANAGEMENT AGENCY	3	\$2,722,396	\$2,283,197	
RURAL BUSINESS-COOPERATIVE SERVICE (RBS)	1			
RURAL DEVELOPMENT	2			
RURAL HOUSING SERVICE	2			\$388,842
RURAL TELEPHONE BANK	1			
TOTALS	38	\$6,505,601	\$2,370,789	\$5,988,842
TOTAL COMPLETED:				
SINGLE AGENCY AUDIT	30			
MULTIAGENCY AUDIT	8			
SINGLE AGENCY EVALUATION	0			
MULTIAGENCY EVALUATION	0			
TOTAL RELEASED NATIONWIDE	38			
TOTAL COMPLETED UNDER CONTRACT ^b	9			
TOTAL SINGLE AUDIT ISSUED ^c	0			

^a Unsupported values are included in questioned values

^b Indicates audits performed by others

^c Indicates audits completed as Single Audit

--Continued

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES

FROM OCTOBER 1, 2006, THROUGH MARCH 31, 2007

AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
Agricultural Research Service						
020170006HQ	2006/10/30	DCAA Audit of International Science and Technology Center's and Science and Technology Center in Ukraine's Internal Controls Funded by ARS				
Total: Agricultural Research Service			1			
Animal and Plant Health Inspection Service						
336010007CH	2007/02/21	Review of Customs and Border Protection's Agricultural Inspection Activities				
Total: Animal and Plant Health Inspection Service			1			
Office of the Chief Information Officer						
885010007FM	2007/03/16	Information Technology Service's General Controls – Fiscal Year 2006				
Total: Office of the Chief Information Officer			1			
Commodity Credit Corporation						
064010021FM	2006/11/13	Audit of CCC's FY 2006 Financial Statements				
Total: Commodity Credit Corporation			1			
Farm Service Agency						
030080001AT	2006/12/12	FSA's Efforts to Identify and Recover Overpayments in the Counter-Cyclical Program				
036010021KC	2007/03/20	Hurricane Relief Initiatives: Barge Movement and Transportation Differential Agreements				\$3,400,000
036010022KC	2007/03/20	Hurricane Relief Initiatives: Emergency and Alternative Grain Storage				\$2,200,000
Total: Farm Service Agency			3			\$5,600,000

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES

FROM OCTOBER 1, 2006, THROUGH MARCH 31, 2007

AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
Food and Nutrition Service						
274010031HY	2006/11/08	FY 2006 FNS Financial Statements				
Total: Food and Nutrition Service			1			
Foreign Agricultural Service						
076010001HY	2007/02/22	Trade Promotion Operations				
Total: Foreign Agricultural Service			1			
Forest Service						
080010001AT	2006/11/03	Capital Improvement Program				
080170008HQ	2006/10/26	DCAA Audit of Reserve America Termination for Convenience				
080170009HQ	2007/01/19	DCAA Audit of Minden Air Corporation's Termination Proposal Funded by FS				
080170010HQ	2007/02/21	DCAA Audit of Warden Associates, Inc. Cost Verification		\$19,422		
080170011HQ	2007/02/26	DCAA Audit of National Fire Protection Association's December 31, 2005, Indirect Rates				
084010007FM	2006/11/13	Audit of FY 2006 Forest Service Financial Statements				
086010003TE	2007/03/30	Controls Over Forest Service Vehicle Fuel and Maintenance Costs		\$3,670,930		
086010044SF	2006/11/20	FS Large Fire Suppression Costs				
086010046SF	2006/11/07	FS Hurricane Relief Efforts				
086010047SF	2007/02/01	Improper Payments – Monitoring the Progress of Corrective Actions for High Risk Programs in FS		\$92,853	\$87,592	
Total: Forest Service			10	\$3,783,205	\$87,592	

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES

FROM OCTOBER 1, 2006, THROUGH MARCH 31, 2007

AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
Multi-Agency						
500990051KC	2007/03/28	Zero Acreage Reporting Abuse				
504010059FM	2006/11/14	Fiscal Year 2006 USDA Financial Statements				
504010061FM	2006/11/17	Fiscal Year 2006 Audit of USDA's Closing Package				
505010008FM	2007/02/27	Information Technology – Lost or Stolen Items Containing Sensitive Information				
506010010HQ	2006/11/20	Chesapeake Bay Program – Joint Review				
506010012AT	2007/03/28	Implementation of Trade Title of 2002 Farm Bill and President's Management Agenda				
506010015TE	2007/03/12	Review of FY 2005 Congressional Earmarks				
507010002KC	2007/03/12	USDA Homeland Security Initiatives				
Total: Multi-Agency			8			
Natural Resources Conservation Service						
100010001HY	2007/03/20	Review of Contract Administration at the Natural Resources Conservation Service				
Total: Natural Resources Conservation Service			1			
Office of Procurement and Property Management						
890170001HY	2007/02/09	Review of Acquisition Planning and Processing				
Total: Office of Procurement and Property Management			1			
Risk Management Agency						
050990027AT	2007/03/28	Evaluation of RMA Indemnity Payments for 2004 Florida Hurricanes		\$415,710		
054010015FM	2006/11/08	Audit of Fiscal Year 2006 FCIC Financial Statements				
056010004SF	2007/01/23	Adjusted Gross Revenue Program		\$2,306,686	\$2,283,197	
Total: Risk Management Agency			3	\$2,722,396	\$2,283,197	

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES

FROM OCTOBER 1, 2006, THROUGH MARCH 31, 2007

AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
Rural Business-Cooperative Service						
340040008HY	2007/01/31	Business and Industry Loan for Lehigh Coal and Navigation Company				
Total: Rural Business-Cooperative Service			1			
Rural Development						
854010013FM	2006/11/09	Rural Development FY 2006 Financial Statements				
855010001FM	2007/02/12	Rural Development's Dedicated Loan Origination and Servicing System				
Total: Rural Development			1			
Rural Housing Service						
046010014CH	2007/03/20	Improper Payments – Monitoring the Progress of Corrective Action for High Risk Programs in Rural Housing Service				
046010015CH	2007/03/30	Controls Over Single Family Housing Provided for Hurricane Relief Efforts				\$388,842
Total: Rural Development			2			\$388,842
Rural Telephone Bank						
154010007FM	2006/11/09	Rural Telephone Bank FY 2006 Financial Statements				
Total: Rural Telephone Bank			1			
Grand Total:			38	\$6,505,601	\$2,370,789	\$5,988,842

AUDITS WITHOUT MANAGEMENT DECISION

The Inspector General Act has a number of reporting requirements, among them tracking audits without management decision. The following audits did not have management decisions made within the 6-month limit imposed by Congress. Narratives for new entries follow this table. An asterisk (*) indicates that an audit is pending judicial, legal, or investigative proceedings that must be completed before the agency can act to complete management decisions.

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
NEW SINCE LAST REPORTING PERIOD				
OCIO	08/07/06	1. Management and Security Over the Universal Telecommunications Network (88501-6-FM)		
FSIS	09/19/06	2. FSIS State-Operated Inspection Programs (24005-1-At)	1,598,783	
RHS	08/14/06	3. Single-Family Housing, Borrower Income Verification Procedures (04099-341-At)		
	09/28/06	4. Controls Over Multi-Family Housing Funds Provided for Hurricane Relief Efforts (04601-13-Ch)	160,557	
PREVIOUSLY REPORTED BUT NOT YET RESOLVED				
These audits are still pending agency action or are under judicial, legal, or investigative proceedings. Details on the recommendations where management decisions had not been reached have been reported in previous Semiannual Reports to Congress. Agencies have been informed of actions that must be taken to reach management decision, but for various reasons the actions have not been completed. The appropriate Under and Assistant Secretaries have been notified of those audits without management decisions.				
APHIS	02/20/03	5. Safeguards To Prevent Entry of Prohibited Pests and Diseases Into the United States (33601-3-Ch)		
	09/30/04	6. Wildlife Services – Aerial Acquisition Procedures (33099-1-KC)	25,208	25,208
	09/30/05	7. APHIS Animal Care Program Inspection and Enforcement Activities (33002-3-SF)	689,354	291,000
CCC	11/09/05	8. Monitoring the Audit of CCC's FY 2005 Financial Statements (06401-20-FM)		
FAS	03/15/06	9. Private Voluntary Organization (PVO) Grant Fund Accountability (07016-1-At)	2,175,876	
FNS	09/06/01	10. NSLP – Food Service Management Companies (FSMC) Midwest Region (27601-24-Ch)	3,537,912	236,749
	11/21/01	11. CACFP – Wildwood, Inc. Phase II (27010-6-KC)	36,895,611	36,895,611
	12/09/05	12. NSLP Cost-Reimbursable Company (27601-13-KC) Contracts With FSMCs (27601-15-KC)	6,126,830	6,126,830
FSA	09/30/05	13. FSA Compliance Activities (03601-12-Ch)	3,741,157	3,741,157
FSIS	06/21/00	14. Implementation of the Hazard Analysis and Critical Control Point (HACCP) System (24001-3-At)		
	09/30/03	15. Oversight of Production Process and Recall at ConAgra Plant (Establishment 969) (24601-2-KC)		
	06/24/05	16. HACCP – Compliance by Very Small Plants (24601-5-At)		
Multiagency	09/30/03	17. Implementation of Agricultural Risk Protection Act (50099-12-KC)		
	02/23/04	18. Homeland Security Issues for USDA Grain and Commodities Inventory (50099-13-KC)		
	12/08/05	19. Controls Over APHIS Issuance of Genetically Engineered Organisms Release Permits (50601-8-Te)		

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
RBS	01/28/02	20. Lender Servicing of B&I Guaranteed Loans, Florida (34601-3-At)	1,536,060	1,536,060
	01/10/03	21. Lender Servicing of B&I Guaranteed Loans in Georgia (34601-4-At)	3,766,908	3,706,908
	08/27/03	22. RD – Lender Servicing of B&I Guaranteed Loans in Georgia (34601-5-At)	9,145,549	224,951
	09/29/05	23. Request Audit of B&I Guaranteed Loan in Arkansas (34099-7-Te)	2,502,954	
RHS	09/28/01	24. RRH Program Insurance Expenses, Phase II (04601-4-KC)	596,665	79,442
	06/26/03	25. RD, RRH Program, Tenant Income Verification – Gainesville, FL (04004-3-At)	7,781,635	3,183,305
	09/30/04	26. RRH Project Costs, Cairo, IL (04099-143-Ch)*	164,000	164,000
	03/23/05	27. Subsidy Payment Accuracy In Multi-Family Housing Programs (04099-339-At)		
RMA	03/15/02	28. Monitoring of RMA's Implementation of Manual 14 Reviews/Quality Control Review System (05099-14-KC)		
	11/09/05	29. RMA Prevented Planting Claims (05099-11-SF)	96,489	96,489
RUS	09/30/05	30. Broadband Grant and Loan Programs (09601-4-Te)	340,376,319	30,377,069

AUDITS WITHOUT MANAGEMENT DECISION – NARRATIVE FOR NEW ENTRIES

1. Management and Security Over the Universal Telecommunications Network (88501-6-FM), Issued August 7, 2006

We found that OCIO had not conducted required failover testing, security control testing, and certification and accreditation of the Universal Telecommunications Network (UTN) before implementation. OCIO agreed with all five recommendations, and we have reached management decision on two of them. For the remaining three, OCIO needs to ensure that controls are in place to capture total costs of a system, conduct a full and comprehensive failover test, and have an independent third-party review of security controls over UTN, according to detailed, time-phased plans with completion dates.

2. FSIS State-Operated Inspection Programs, (24005-1-At), Issued September 19, 2006

FSIS was not providing timely oversight of State Meat and Poultry Inspection (MPI) programs. From October 2003 through June 2005, FSIS had conducted only 8 initial onsite reviews of the 28 State MPI programs. FSIS had not performed timely onsite fiscal reviews and reviews of new programs, and did not timely implement its yearend grant closeout procedures to ensure that State MPI programs promptly returned any excess Federal funds. Of the 12 recommendations, management decision has been reached on 10, and we are awaiting a response from FSIS to address the remaining 2. The funds noted in the total value at issuance were related to the Texas MPI program, which is current as of FY 2005 as to monies owed to FSIS.

3. Single-Family Housing, Borrower Income Verification Procedures (04099-341-At), Issued August 14, 2006

Although RHS' Centralized Servicing Center (CSC) regularly conducts quality control (QC) reviews to ascertain the accuracy of single-family housing (SFH) loan payments subsidies, we found two procedural errors compromising their validity. First, CSC's QC review was not properly designed to produce statistically valid conclusions for the entire universe of

borrower renewals. CSC incorrectly limited the QC universe to only renewals that had previously received a supervisory review. The overall payment subsidy error rate calculated from this limited sample may not necessarily correspond to the true rate of error for the entire SFH loan subsidy program. Second, CSC does not obtain documents to independently verify Federal income tax information borrowers submit as part of their subsidy renewals. Thus, CSC's QC reviews do not provide management with a reliable means of estimating payment subsidy errors and overall program effectiveness. We have agreed to assist CSC officials by providing them with an example of a valid sampling plan for them to use as guidance in developing their own sampling plan. CSC has also agreed to obtain and use the Federal income tax information when performing their QC review. Of seven recommendations, six remain without management decision.

4. Controls Over Multi-Family Housing Funds Provided for Hurricane Relief Efforts (04601- 13-Ch), Issued September 28, 2006

RHS' quick response in placing victims into RRH units won praise in the Administration's report, *The Federal Response to Hurricane Katrina: Lessons Learned*. However, in focusing on quickly placing victims into RRH units, agency officials overlooked some basic management controls needed to ensure that the appropriate amount of housing assistance was provided to victims, and that only victims received assistance. We concluded that much of the \$2.6 million in emergency rental assistance (as of March 31, 2006) that RHS provided to disaster victims was unnecessary. (This amount may actually be higher because RHS' data system did not include all hurricane relief information.)

In the absence of any formal written emergency procedures to address a disaster of this magnitude, RHS officials provided guidance following the hurricanes in the form of five unnumbered letters, four of which were issued in September 2005. While this guidance generally answered immediately pressing questions for field staff, it did not address some major control issues. Thus, in light of the problems that occurred after the Gulf Coast disaster, and the likelihood that other disasters will occur in the future, agency officials should develop and implement controls before the next disaster to ensure that rental assistance is properly spent. We are awaiting a response from the agency to address our recommendations.

INDICTMENTS AND CONVICTIONS

From October 1, 2006, through March 31, 2007, OIG completed 155 investigations. We referred 107 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 171 indictments and 101 convictions. The period of time to obtain court action on an indictment varies widely;

therefore, the 101 convictions do not necessarily relate to the 171 indictments. Fines, recoveries/collections, restitutions, claims established, cost avoidance, and administrative penalties resulting from our investigations totaled about \$43.5 million.

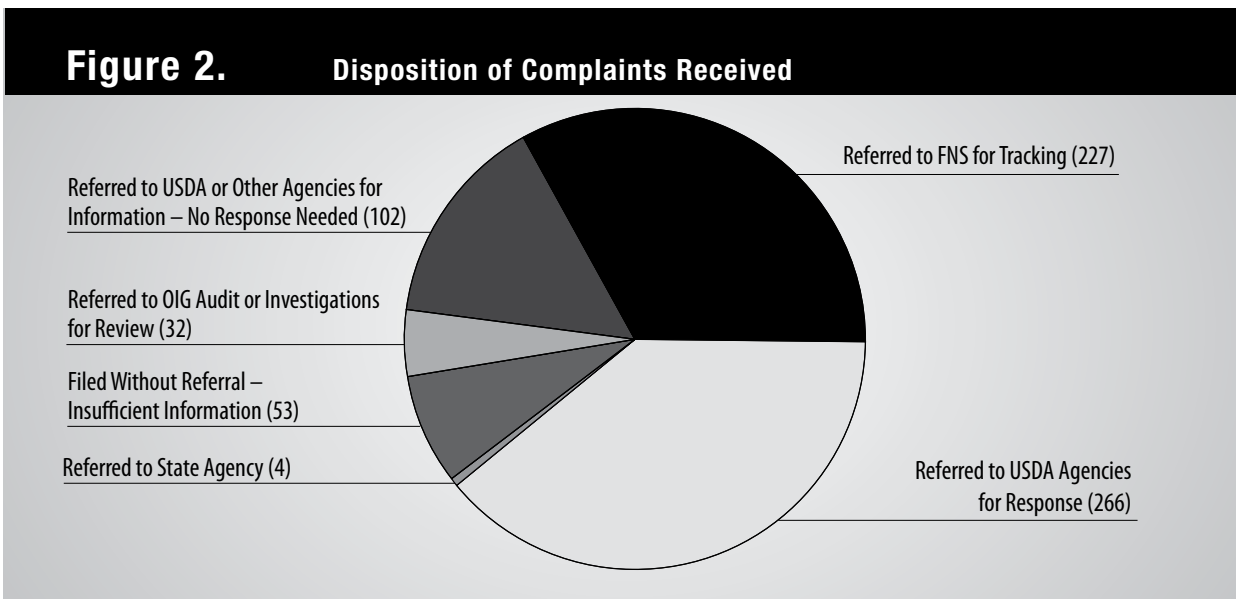
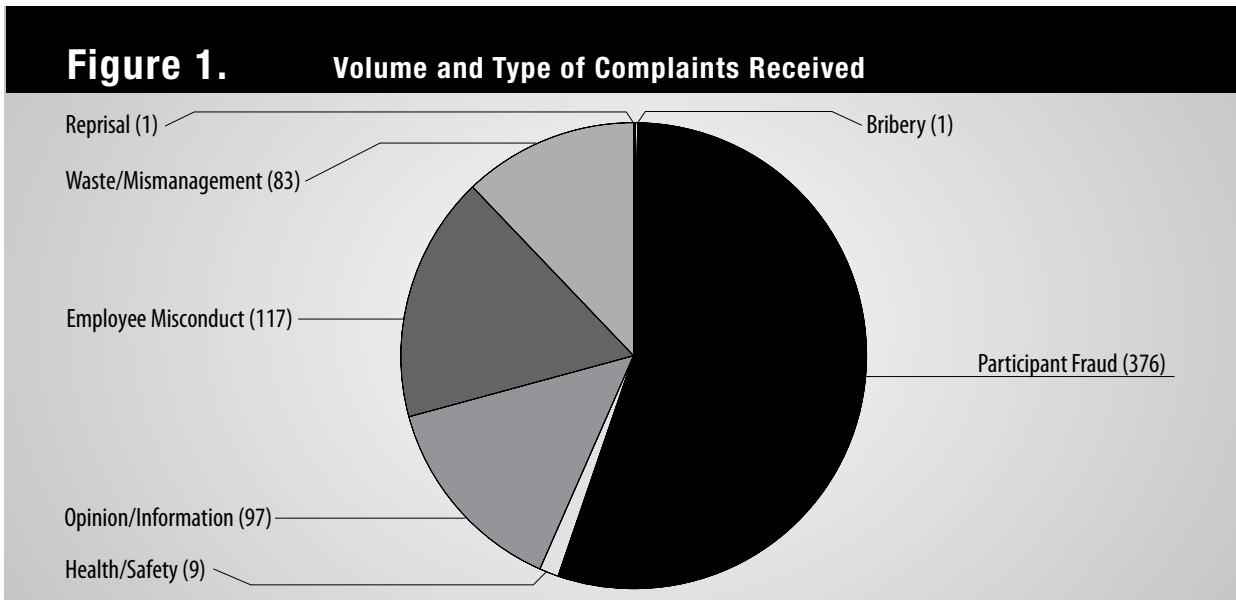
The following is a breakdown, by agency, of indictments and convictions for the reporting period.

Indictments and Convictions October 1, 2006 - March 31, 2007		
Agency	Indictments	Convictions*
APHIS	7	8
ARS	1	0
FAS	0	1
FNS	123	56
FS	2	1
FSA	14	21
FSIS	4	4
NRCS	0	1
OCFO	1	0
OIG**	1	1
RBS	1	1
RHS	6	4
RMA	7	0
RUS	3	2
SEC	1	1
Totals	171	101
*This category includes pretrial diversions. **An individual impersonated an OIG special agent and was found guilty.		

OFFICE OF INSPECTOR GENERAL HOTLINE

The OIG Hotline serves as a national receiving point for reports from both employees and the general public of suspected incidents of fraud, waste, mismanagement, and abuse in USDA programs and operations. During this

reporting period, the OIG Hotline received 684 complaints, which included allegations of participant fraud, employee misconduct, and mismanagement, as well as opinions about USDA programs. Figure 1 displays the volume and type of the complaints we received, and figure 2 displays the disposition of those complaints.



FREEDOM OF INFORMATION ACT (FOIA) AND PRIVACY ACT (PA)REQUESTS FOR THE PERIOD OCTOBER 1, 2006,
TO MARCH 31, 2007

Number of FOIA/PA Requests Received	69
Number of FOIA/PA Requests Processed	73
Number Granted	17
Number Partially Granted	32
Number Not Granted	25
Reasons for Denial	
No Records Available	6
Referred to Other Agencies	1
Requests Denied in Full (Exemption 5)	1
Requests Denied in Full (Exemption 7A)	6
Requests Denied in Full (Exemption 7C)	2
Request Withdrawn	2
Fee-Related	0
Not a Proper FOIA Request	3
Not an Agency Record	1
Duplicate Request	2
Other	1
Requests for OIG Reports From Congress and Other Government Agencies	
Received	15
Processed	15
Appeals Received	5
Appeals Processed	7
Appeals Completely Upheld	4
Appeals Partially Reversed	3
Appeals Completely Reversed	0
Appeals Requests Withdrawn	0
Other	1
Number of OIG Reports/Documents Released in Response to Requests	32

NOTE 1: A request may involve more than one report.

NOTE 2: During this 6-month period, 31 audit reports were posted to the Internet at the OIG Web site:
<http://www.usda.gov/oig>

Abbreviations of Organizations	
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
CBP	U.S. Customs and Border Protection
CCC	Commodity Credit Corporation
CI	Criminal Investigation
CR	Office of Civil Rights
CSC	Centralized Service Center
CSREES	Cooperative State Research, Education, and Extension Service
DHS	U.S. Department of Homeland Security
ECIE	Executive Council on Integrity and Efficiency
EPA	U.S. Environmental Protection Agency
ERT	Emergency Response Team
FAS	Foreign Agricultural Service
FBI	Federal Bureau of Investigation
FCIC	Federal Crop Insurance Corporation
FDA	Food and Drug Administration
FEMA	Federal Emergency Management Agency
FNS	Food and Nutrition Service
FS	Forest Service
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
GIPSA	Grain Inspection, Packers and Stockyards Administration
HUD	U.S. Department of Housing and Urban Development
IRS	Internal Revenue Service
ITS	Information Technology Services
NJTTF	National Joint Terrorism Task Force
NFC	National Finance Center
NIST	National Institute of Standards and Technology
NITC	National Information Technology Center

Abbreviations of Organizations

NRCS	Natural Resources Conservation Service
OOCIC	Ohio Organized Crime Investigations Commission
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OGC	Office of the General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OPPM	Office of Procurement and Property Management
PCIE	President's Council on Integrity and Efficiency
RBS	Rural Business-Cooperative Service
RD	Rural Development
RHS	Rural Housing Service
RMA	Risk Management Agency
RUS	Rural Utilities Service
SEC	Office of the Secretary
USDA	U.S. Department of Agriculture
USSS	U.S. Secret Service
WFIT	Wildland Fire Investigations Team

EXAMPLES OF PROGRAM IMPROVEMENT RECOMMENDATIONS MANAGEMENT AGREED TO DURING THIS REPORTING PERIOD (142 TOTAL)

- APHIS agreed to issue policy to clarify CBP's responsibilities for Transportation and Exportation permits that allow prohibited and restricted agricultural commodities to be trans-shipped across the country to foreign destinations, and for the handling of seized agricultural products at ports of entry. APHIS also agreed to develop a process to allow both agencies to assess the risk of agricultural products entering the country by rail.
- RMA agreed to issue a notice to advise insurance providers of the unacceptable documents that have been used and to clarify what documents are acceptable for substantiating AGR policies and claims.
- USDA agreed to assign a senior-level official to coordinate with EPA's Chesapeake Bay Program, and to direct agencies to expedite the development and implementation of outcome-based performance measurements to evaluate the effectiveness of their conservation efforts and programs.
- FS agreed to modify its policies that unduly restrict the use of fire to reduce hazardous fuels (brush, dead trees) on FS land.
- FS agreed to determine the most cost-effective marketing methods for surplus properties that are best suited for the agency and will obtain the best prices for the property.
- FS agreed to (1) conduct management reviews of the fleet credit card operations and (2) strengthen controls over fleet credit cards and how PCMS is used to monitor those cards.
- RD agreed to ensure that adequate documentation is maintained to verify that all controls in the DLOS security plan were implemented; perform a C&A that fulfills the requirements of full system accreditation; and ensure that the C&A includes adequate Security Testing and Evaluation testing and appropriate supporting documentation.
- FS and RHS agreed to develop and implement controls to ensure that the identification and reporting of improper payments, including statistical sampling processes, comply with all OMB and OCFO requirements.

MISSION OF OIG

OIG assists USDA by promoting effectiveness and integrity in the hundreds of programs of the Department. These programs encompass a broad spectrum, involving such areas as consumer protection, nutrition, animal and plant health, agricultural production, agricultural product inspection and marketing, rural development, research, conservation, and forestry. They affect our citizens, our communities, and our economy.

OIG STRATEGIC GOALS

We have focused nearly all of our audit and investigative direct resources on our three strategic goals:

Support USDA in the enhancement of safety and security measures to protect USDA and agricultural resources and in related public health concerns.

Reduce program vulnerabilities and enhance integrity in the delivery of benefits to individuals.

Increase the efficiency and effectiveness with which USDA manages and employs public assets and resources, including physical and information resources.

To learn more about OIG, visit our Web site at www.usda.gov/oig/home.htm

How To Report Suspected Wrongdoing in USDA Programs

Fraud, Waste, and Abuse

In Washington, DC: 202.690.1622

Outside DC: 800.424.9121

TDD (Call Collect): 202.690.1202

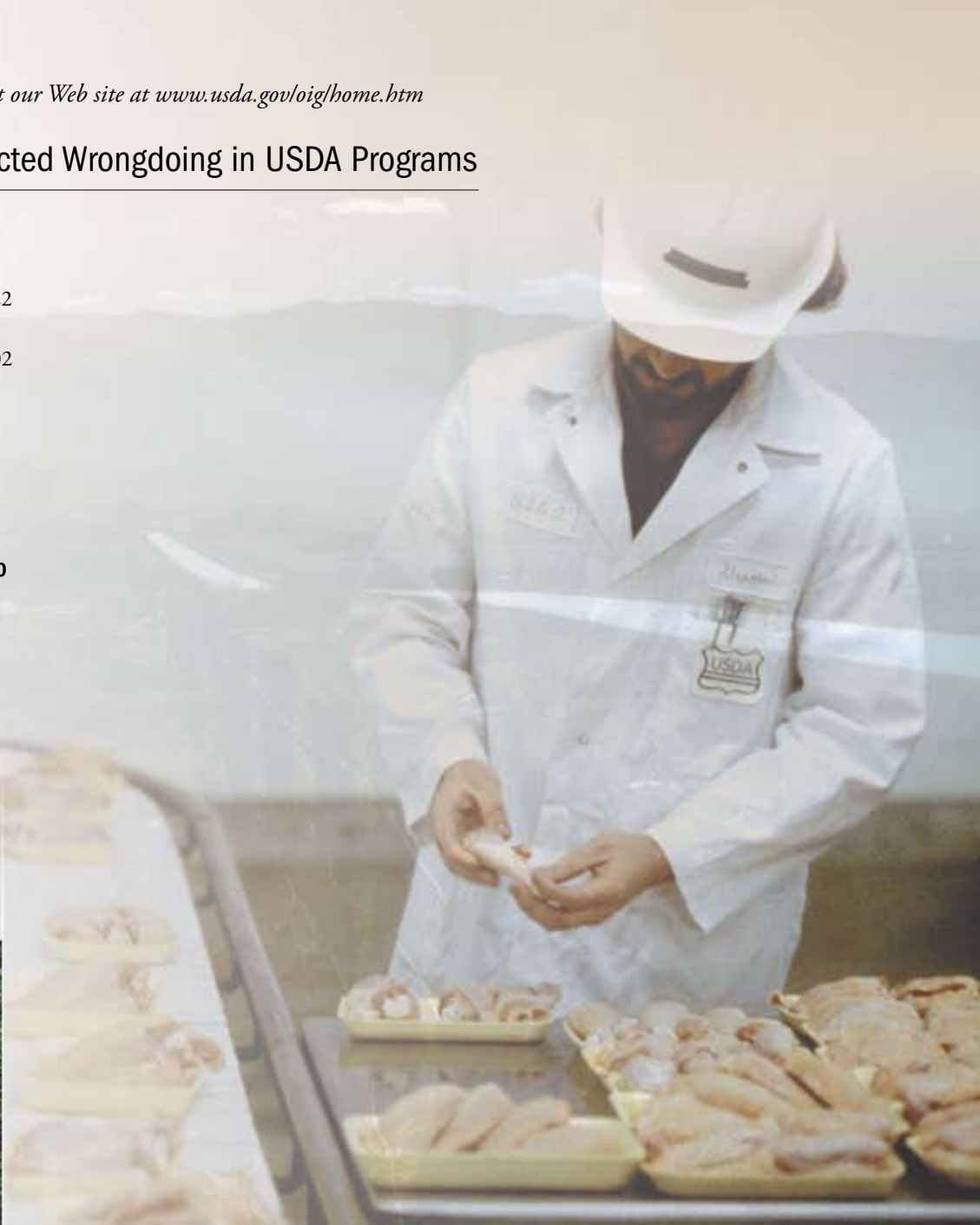
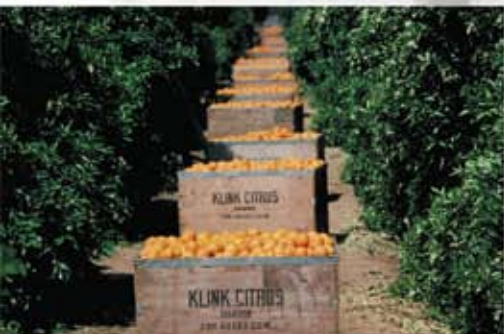
Bribes or Gratuities

202.720.7257 (24 hours)

888-620-4185 (24 hours)

OIG Hotline Through the Web

www.usda.gov/oig/hotline.htm



United States
Department of Agriculture

Office of the Inspector General

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

May 2007

