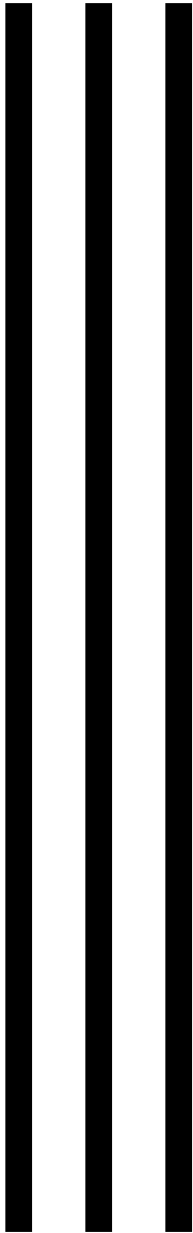


# USDA



U.S. Department of Agriculture  
Office of Inspector General  
Great Plains Region  
Audit Report

Homeland Security Issues for USDA  
Commodity Inventories



**Audit Report No.  
50099-13-KC  
February 2004**



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: February 11, 2004

REPLY TO

ATTN OF: 50099-13-KC

SUBJECT: Homeland Security Issues For USDA Commodity Inventories

TO: James R. Little  
Administrator  
Farm Service Agency

ATTN: T. Mike McCann  
Director  
Operations and Review Analysis Staff

This report presents the results of our review of Homeland Security Issues for U.S. Department of Agriculture Commodity Inventories. Your December 22, 2003, written response to the official draft report is included as exhibit B with excerpts and the Office of Inspector General's (OIG) position incorporated into the Findings and Recommendations section of the report.

Your response indicated that the Farm Service Agency (FSA) generally concurs with our recommendations and included evidence that the agency has initiated partial corrective action on some recommendations. However, we were unable to reach management decision on the recommendations because the response did not include estimated timeframes for completion of corrective action for each recommendation or information on other key components of some recommendations.

Please furnish a reply within 60 days describing corrective actions taken or planned and the timeframes for implementing the corrective action on the recommendations where management decisions have not been reached. Please note that Departmental Regulation 1720-1 requires a management decision to be reached on all findings and recommendations within a maximum of 6 months from report issuance and final action should be completed within 1 year of management decision.

We appreciate the courtesies and cooperation extended to our staff during the review.

/s/

ROBERT W. YOUNG  
Assistant Inspector General

for Audit



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# EXECUTIVE SUMMARY

## HOMELAND SECURITY ISSUES FOR USDA COMMODITY INVENTORIES

AUDIT REPORT NO. 50099-13-KC

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### RESULTS IN BRIEF

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In its effort to assist the Government in strengthening homeland security since September 11, 2001, the Office of Inspector General (OIG) continues to review those activities of the United States Department of Agriculture (USDA) that could be vulnerable to attacks. As part of this effort, we reviewed homeland security issues as they pertained to USDA-owned or controlled commodity inventories. Commodity inventories, referred to as goods held under price support and stabilization programs, are acquired by the Commodity Credit Corporation (CCC) that are eventually sold or otherwise disposed of to satisfy or help economic goals.

USDA commodity inventories are agricultural commodities, products, e.g., foods, feeds, and fibers (collectively referred to as agricultural commodities). CCC's programs are delivered through personnel and facilities of the Farm Service Agency (FSA). The objective of our review focused on whether the FSA developed and implemented adequate actions to minimize the risk to USDA agricultural commodities of destruction, adulteration, and contamination. Our audit disclosed that:

- FSA needs to conduct vulnerability and risk assessments to determine appropriate levels of protections needed for USDA-owned agricultural commodities, including bulk grain, oilseeds, rice, and processed commodities. Strategic homeland security action plans and tactics have not been developed to help assure that employees managing agricultural commodities take appropriate action to deter threats and attacks on inventories or to react effectively when such events occur.
- FSA needs to address the prospect of intentional and widespread contamination regarding handling, transportation, storage, and distribution of USDA agricultural commodities. FSA does not have a clear safety and security policy of how the commodities are to be adequately protected and safeguarded until the final use of the agricultural commodity inventory segment has been determined. The absence of clear safety and security policies and procedures from FSA

can be partly attributed to the overlapping or unclear jurisdictions among Federal, State, and local entities, including the Food and Drug Administration's (FDA) versus USDA's role and responsibilities regarding agricultural commodities used as food for humans and used for animals.

- FSA needs to upgrade its commodity inventory management information systems because they are not capable of providing timely information to managers on the location and disposition of questionable, adulterated, or contaminated inventories so the agricultural commodities can be promptly located and tracked during periods of crises.

We also found that FSA warehouse examiners are not subject to background investigations to determine their suitability for the positions they hold. As a result of these conditions, the vulnerability of USDA commodity inventories to threats and attacks have neither been properly determined nor adequately addressed.

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## **KEY RECOMMENDATIONS**

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We recommend that FSA in collaboration with the USDA Homeland Security Office develop USDA food safety and security strategies and conduct a homeland security risk assessment for agricultural commodity operations and related programs. The results of this risk assessment should be used as the basis for formulating the appropriate corrective action. We also recommend that FSA incorporate homeland security and safety issues into the Commodity Operations' mission statement, policies, and procedures. In addition, we recommend that FSA develop and implement homeland security action plans and tactical procedures for commodity operations.

We recommend that FSA collaborate with FDA and the USDA Homeland Security Office and implement measures to manage and protect USDA agricultural commodities and loan collateral. In addition, we recommend that FSA review and revise existing legislative authorities, regulations, policies, contracts, and agreements to provide the appropriate safeguards when handling, storing, and transporting agricultural commodities and to enable USDA to take appropriate corrective action to safeguard from deliberate contamination or through cause and/or negligence of USDA contractors or program participants. On the basis of the conclusions reached on the assessment, we also recommend that FSA work with the Department to seek appropriate authority from Congress or the Department of Homeland Security, if needed.

Furthermore, FSA should evaluate the viability of replacing or upgrading

current inventory systems to promptly provide the critical data necessary to minimize homeland security vulnerabilities. FSA should develop and implement systems that provide critical homeland security features. Finally, we recommend that the FSA should coordinate with the Office of Procurement and Property Management to determine and obtain the appropriate security classifications and background investigations needed for all FSA employees and contractors who are involved in determinations of suitability and safety of agricultural commodities.

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## **FSA RESPONSE**

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FSA generally concurred with our audit findings and recommendations during an October 21, 2003, exit conference, but expressed concern that Departmental guidance was needed for a Department-wide effort to reduce the homeland security vulnerabilities of USDA agricultural commodities and commodity inventories. On December 22, 2003, FSA provided written comments to the report, which in general, indicated that action had been taken based on guidance provided by the USDA Homeland Security Office and included agreement that additional action was warranted. However, appropriate corrective action could not be properly identified or formulated until a risk assessment is conducted. The comments provided documentation for the specific actions planned or implemented for each recommendation (see exhibit B of this report).

The response explained that the FSA Administrator and key members of his staff met with the Director of the USDA Homeland Security Office to discuss the draft audit report and to obtain guidance on how FSA should accomplish appropriate corrective action. The Director of the Homeland Security Office directed FSA to conduct a risk assessment under the supervision of, and using methodologies recommended by, the Homeland Security Office. The first step was for FSA to obtain security clearances for personnel to be assigned to the assessment. The assessment could not proceed without these clearances. The comments stated that the affected personnel prepared and submitted their clearance documents for processing.

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## **OIG POSITION**

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Although FSA's written comments presented general concurrence with our findings and recommendations, the comments did not provide sufficient information to reach management decision for any of the recommendations. To reach management decision, FSA, upon completion of the risk assessment, needs to identify the specific actions that will be taken and the estimated timeframes for implementation.

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# INTRODUCTION

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## BACKGROUND

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As demonstrated by the terrorist attacks of September 11, 2001, the United States and other nations face increasingly diffuse threats.

The United States General Accounting Office (GAO) indicated that potential adversaries are more likely to strike vulnerable civilian and military targets in nontraditional ways to avoid direct confrontation with our military forces on the battlefield, to try to coerce our government to take some action terrorists desire, or simply to make a statement.<sup>1</sup> In light of this and subsequent anthrax attacks, the United States Department of Agriculture (USDA), the citizenry, and others in food and food-related industries reconsidered the vulnerability of the Nation's food supply. USDA agencies are among the most vital components of the Nation's food security and safety structure.

The Commodity Credit Corporation (CCC) Charter Act created a corporate body to be known as the CCC. CCC is a Government-owned and operated entity created to stabilize, support, and protect farm income and prices. The corporation helps maintain balanced and adequate supplies of agricultural commodities and aids in their orderly distribution. It is authorized to procure, transport, store, process, and dispose of various agricultural commodities and their products, and provides storage adequate to fulfill its program needs by contracting with commercial warehouses to store agricultural commodities. CCC programs and operations are managed and administered by Farm Service Agency (FSA) since the CCC has no operating personnel.

CCC's strategic goals, objectives, and performance measures are taken from FSA's Annual Performance Plan, since the two entities are so closely related. The strategic goals for fiscal year (FY) 2002 were to:

- provide farm income support to eligible producers, cooperatives, and associations to help improve the economic stability and viability of the agricultural sector and to ensure the production of an adequate and reasonable priced supply of food and fiber;
- assist agricultural producers and landowners in achieving a high level of stewardship of soil, water, air, and wildlife resources on America's farms and ranches while protecting the human and natural environment;

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<sup>1</sup> GAO Testimony on Homeland Security – A Risk Management Approach Can Guide Preparedness Efforts, GAO-02-208T.

- improve the effectiveness and efficiency of commodity acquisition, procurement, storage, and distribution activities to support domestic and international food assistance programs; and
- provide effective administrative services and information technology processes.

Agricultural commodity inventories, owned or controlled by the USDA through the FSA, are among the Nation's many food resources. FSA acquires inventories, specified agricultural commodities, through purchases and forfeitures under CCC's non-recourse loan programs and buys certain surplus products (butter, cheese, nonfat dry milk) from processors to help maintain market prices at the legislated support level. The U.S. Warehouse Act (USWA), as amended December 31, 2000, through Public Law 106-580, provides a voluntary licensing program to ensure the integrity of agricultural commodities in participating warehouse facilities and that the facilities meet established approval standards. Also, FSA maintains storage agreements with over 6,700 commercial warehouses nationwide for grain and rice, 345 commercial warehouses for processed agricultural commodities, and still more for other food-related agricultural commodities, such as sugar. The storage agreements sometimes include temporary storage for food distributed through various assistance programs administered by the Food and Nutrition Service (FNS) and the Agricultural Marketing Service (AMS). CCC works to return stored commodities to the private trade channel. The FSA Kansas City Commodity Office (KCCO), located in Kansas City, Missouri, is responsible for managing the acquisition, handling, storage, transportation, and disposition of commodities in order to administer CCC program commitments and the USWA operations.

The estimated size of the agricultural commodity inventories maintained by FSA during FY 2001 included about 1.5 billion pounds of sugar, 857 million pounds of nonfat dry milk, 118 million bushels of wheat, 22 million bushels of corn and other feed grains, and 5 million pounds of cheese. At the end of FY 2002, FSA maintained about 511 million pounds of sugar, 1.3 billion pounds of nonfat dry milk, 102 million bushels of wheat, 18 million bushels of corn and other feed grains, and 4 million pounds of cheese. As of September 30, 2002, CCC-owned inventory totaled \$2,486 million, compared to \$2,285 million the previous year. FSA uses two major inventory systems to track its commodity inventories. FSA managed bulk grain, oilseed, and rice inventories are tracked with the Grain Inventory Management System (GIMS), while processed agricultural commodities (such as nonfat dry milk and certain FNS feeding program components) are tracked through the Processed Commodity Inventory Management System (PCIMS). FSA uses these systems and its commodity operations to ensure (1) a uniform regulatory system for

storage of agricultural products, (2) the timely provision of high quality food products to domestic and international food assistance and development programs, and (3) achievement of domestic farm program objectives.

According to the Administrator of USDA's FSA, agriculture makes up over 15 percent of the Nation's gross domestic product, generating \$1 trillion in economic activity each year. In addition to the many Federal, State, and local agencies engaged in protecting the food supply, private sector companies and non-profit groups contribute a great deal of effort toward this end. One example is the Alliance for Food Security, a public-private partnership that provides a forum to exchange information and coordinate homeland security preparedness activities for about 124 agricultural and food industry organizations and governmental entities.

The USDA is a part of a complex array of federal regulatory organizations responsible for providing consumer protection, including the Department of Health and Human Service's (DHHS) Food and Drug Administration (FDA), the USDA's Food Safety and Inspection Service (FSIS) and Animal and Plant Health Inspection Service (APHIS), and the Environmental Protection Agency (EPA). Many other agencies and offices have food safety missions within their research, education, prevention, surveillance, standard-setting, and/or outbreak response activities; including DHHS' Centers for Disease Control and Prevention (CDC), and the National Institutes of Health, the USDA's AMS, Agricultural Research Service, Cooperative State Research, Education, and Extension Service, Economic Research Service, and the Grain Inspection, Packers and Stockyard Administration (GIPSA); plus the U.S. Codex office and the Department of Commerce's National Marine Fisheries Service.

The FDA is charged with protecting consumers from impure, unsafe, and fraudulently labeled food that are not regulated by USDA. USDA's FSIS is responsible under the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act for ensuring the safety of meat, poultry, and certain egg products. FSIS has the responsibility for ensuring that meat, poultry, and egg products are safe, wholesome, and accurately labeled. FDA is also the lead agency in implementing the provisions of the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (the Bioterrorism Act). In January 2003, FDA proposed regulations to implement the Bioterrorism Act that include requirements that "Domestic or foreign facilities that manufacture, process, pack, distribute, receive, or hold food for consumption by humans or animals in the U. S. must register with FDA no later than December 12, 2003". Exempt from registration are: farms; retail food operations; restaurants; non-profit operations that prepare food for, or serve food directly to, consumers; fishing vessels not engaged in

processing; and facilities regulated exclusively throughout the entire facility by the USDA. For example, meat plants regulated by USDA FSIS will be exempt but all grain warehouses and elevators must comply with the FDA regulations.

EPA's mission includes protecting public health and the environment from risks posed by pesticides and promoting safer means of pest management. No food or feed item may be marketed legally in the United States if it contains a food additive or drug residue not permitted by FDA, or if it contains a pesticide residue without an established EPA tolerance, or the residue is in excess of an EPA-established tolerance. APHIS' primary role in the U.S. food safety network of agencies is to protect against plant and animal pests and diseases.

AMS uses CCC authority to acquire various agricultural commodities for domestic and foreign food assistance programs. AMS operations include six commodity programs covering cotton, dairy, fruits and vegetables, livestock and seed, poultry, and tobacco. The agency's specialists provide standardization, grading, and market news services for the agricultural commodities. AMS also oversees marketing agreements and orders for USDA food programs, administers research and promotion programs, and purchases agricultural commodities. The agency purchased over 1.3 billion pounds of fresh and processed fruits and vegetables (valued at over \$600 million) during FY 2001.

The CCC is also authorized to donate food agricultural commodities, acquired through price support programs or from purchases in the commercial marketplace, to the Bureau of Indian Affairs, and Federal, State, and private agencies and institutions. The agricultural commodities are used in the U.S. for school lunch programs, summer camps for children, and assistance for the needy. In most instances, FSA arranges to process the agricultural commodities into food.

FNS administers 15 food assistance programs of the USDA, serving 1 in 6 Americans by providing a safety net for people in need. FNS programs include the National School Lunch Program, which provided over 27.4 million children with daily lunches during FY 2000. The agency also administers Indian Reservation and Commodity Supplemental Food Programs with estimated participation totaling well over 520 thousand meals during FY 2001. FNS also distributed over 252 million meals to the elderly during the same period.

GIPSA is a part of USDA's marketing and regulatory programs that help ensure a productive and competitive global marketplace for the Nation's agricultural products. GIPSA's Federal Grain Inspection Service establishes official grain standards, methodologies for testing grain quality

accurately and consistently, and impartial application of the standards through a network of Federal, State, and private inspection agencies.

In September 2002, the Secretary announced the Department's homeland security efforts.<sup>2</sup> The announcement stated that the Department had formed a USDA Homeland Security Council to develop a Department-wide plan and to coordinate the homeland security efforts of all USDA agencies and offices. This included more focused efforts on three key areas (1) food supply and agricultural production, (2) USDA facilities, and (3) USDA staff and emergency preparedness. The announcement stated that USDA's efforts include:

- protecting U.S. borders from invasive pests and diseases;
- protecting the health of farm animals, crops, and natural resources and ensuring successful rapid responses to animal and crop disease outbreaks and pest infestations;
- assuring a safe food supply;
- protecting and enhancing research and laboratory facilities;
- protecting other infrastructure, such as U.S. Forest Service aviation facilities;
- securing the Department's information technology;
- ensuring continuity of USDA operations;
- launching an aggressive initiative to identify and protect USDA assets through audits and investigations;
- developing full and complete continuity of operations for all USDA agencies and offices; and
- implementing a Departmentwide National Interagency Incident Management System.

The U. S. Department of Homeland Security has established the following five threat conditions:

**Condition (Green).** This condition is declared when there is a low risk of terrorist attacks.

**Guarded Condition (Blue).** This condition is declared when there is a general risk of terrorist attacks.

**Elevated Condition (Yellow).** An Elevated Condition is declared when there is a significant risk of terrorist attacks.

**High Condition (Orange).** A High Condition is declared when there is a high risk of terrorist attacks.

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<sup>2</sup> USDA Homeland Security Efforts, published September 2002 and May 2003, located on the USDA Internet web site.

**Severe Condition (Red).** A Severe Condition reflects a severe risk of terrorist attacks.

Depending on the alert level designated by the U.S. Department of Homeland Security, each Threat Condition contains some suggested Protective Measures, recognizing that the heads of Federal departments and agencies are responsible for developing and implementing appropriate agency-specific protective measures.

Recent actions by USDA included providing information on ways in which producers, processors, and meal providers could help bolster protections for our food supply. The five areas included: make a plan to manage risk; train employees and customers; secure your assets; monitor to prevent unauthorized entry; and report suspicious activity. USDA does not mandate or monitor the extent to which these actions are implemented.

USDA has also undertaken a number of actions to improve the safety of certain sectors of the American food chain and specifically, to protect meat, poultry, and egg products against intentional contamination. These actions included the FSIS completing vulnerability assessments as well as developing and disseminating guidelines to alert and assist industry and consumer stakeholders on techniques to improve security. These documents include: FSIS Security Guidelines for Food Processors; FSIS Safety and Security Guidelines for the Transportation and Distribution of Meat, Poultry, and Egg Products; Keep America's Food and Agriculture Safe; and Food Safety and Food Security.

FSA also has implemented Systematic Tracking for Optimal Risk Management (STORM). STORM is a web-based application that eliminates the need for paper-based tracking of disaster event information reported by service centers. STORM allows authorized service center employees to input Flash Report and Damage Assessment Report data online. Via the Internet, authorized individuals from any location can immediately view disaster information reported by their service center.

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## **OBJECTIVES**

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adulteration; including commodities.

To determine if USDA developed and implemented adequate actions to minimize risks of USDA agricultural commodity inventories to destruction, contamination, or bulk grains, oilseeds, rice, and processed

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## **SCOPE AND METHODOLOGY**

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To accomplish our objectives, we conducted a review of homeland security issues specifically related to USDA commodity inventories primarily at FSA which has significant

management and administration responsibilities for the inventories. Our review covered homeland security activities, operations, and plans after September 11, 2001, and prior activities, when necessary, to meet our objectives. In general, our review focused on security and safety vulnerabilities for FSA managed, administered, or controlled commodity inventories. We did not test or evaluate potential security or food safety vulnerabilities of agricultural commodities during distribution or transportation cycles, or any other activities associated with the conversion of raw agricultural commodities to edible products. Our fieldwork was generally conducted March 2002 through June 2003.

We conducted reviews in Washington, D.C., at Departmental offices, the National offices of five USDA agencies, and at FSA's KCCO. Exhibit A provides a list of all entities visited during the review. In general, we interviewed program and operational officials and reviewed the agencies' homeland security plans and activities. We interviewed an Office of the General Counsel staff member to identify any legislative requirements pertaining to safeguarding USDA-owned and controlled commodities. We also interviewed officials familiar with homeland and food security issues at the GAO and the FDA. Our discussions with GAO auditors generally focused on coordinating our audit efforts and to ascertain the extent of GAO coverage of homeland security-related issues. We visited FDA officials to better understand the FDA's role in food safety as it related to homeland security and how their operations impact on USDA commodity inventories.

In addition, we visited representatives from a number of private companies and trade organizations with a stake in homeland security issues dealing with food or food-related agricultural commodities. The overall purpose of these visits was to ascertain the potential impact of homeland security issues on the private sector involvement in USDA commodity inventories.

We selected industry trade organizations for visits based on referrals by the agencies reviewed and on news articles describing their involvement in homeland security issues. We obtained comments from industry representatives and discussed their concerns related to homeland security issues. We also selected four commodity warehouses for review based primarily on the type of USDA-owned or controlled agricultural commodities listed as "on-hand" by the responsible agencies at the time of our visit. The warehouses visited included facilities to store non-fat dry milk, processed agricultural commodities, and both refined and raw sugar. These site visits were conducted primarily to assess the post-September 11, 2001, security measures taken by the warehouses

and to obtain their respective comments and concerns on homeland security issues.

We conducted the audit in accordance with Government Auditing Standards.



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# FINDINGS AND RECOMMENDATIONS

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<b>CHAPTER 1</b>	<b>ACTIONS NEEDED ON HOMELAND SECURITY AND SAFETY OF AGRICULTURAL COMMODITIES</b>
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FSA has not sufficiently developed or applied effective homeland security policies to minimize the risks to USDA agricultural commodity inventories from threats or attacks or to ensure that employees and contractors react appropriately if, or when, events occur. Although agency officials implemented contingency plans for general operations, they neither critically assessed the vulnerabilities of the inventories nor adequately prepared to react effectively if attacks of deliberate contamination occurred against Government-owned or controlled commodity inventories. We found that FSA has not recognized its agricultural commodity inventory security responsibilities in its mission statement, regulations, and contracts pertaining to agricultural commodity operations.

Our audit disclosed three conditions that threaten the security of the inventories and the usefulness of the inventories to the organizations and people who depend upon them:

- FSA needs to conduct vulnerability and risk assessments to determine the appropriate levels of protection needed for CCC-owned agricultural commodities. Therefore, FSA and their partner USDA agencies that administer and manage commodity inventories have not prepared strategic homeland security action plans on how their employees and industry contractors should deter threats and attacks on USDA commodity inventories and how they are to react if such events occur (see Finding No. 1);
- FSA needs to formulate clear directions on food safety and security when obtaining, through purchase and forfeiture, bulk grain, oilseeds, rice, and other commodity inventories that they manage, handle, transport, store, and distribute. This occurred because FSA has not adequately dealt with the possibility of intentional and widespread contamination that could disrupt domestic food production or international trade. Also, overlapping or unclear Federal, State, and local jurisdictions, including the FDA, confuse the responsibilities. Thus, FSA has not yet clearly defined what protections are needed for

grain and other bulk food-related agricultural commodities in inventory (see Finding No. 2); and

- the management information systems used by FSA to manage and administer commodity inventories needs to be upgraded because they do not provide timely and reliable information on the status of the inventories during crises or in the event of attacks. Delayed data entry and loss of bulk commodity identity at shared storage sites prevent FSA and other USDA agencies from effectively tracking potentially contaminated agricultural commodities (see Finding No. 3).

As a result, confidence is reduced that the appropriate steps to minimize exposure to specified risks have been undertaken, including the vulnerability of USDA agricultural commodities, to deliberate contamination.

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**FINDING NO. 1**  
**RISK ASSESSMENTS AND**  
**ACTION PLANS**

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FSA has not conducted vulnerability and risk assessments to determine the appropriate levels of protection needed for USDA-owned agricultural commodities including bulk grain, oilseeds, rice, and processed commodities. This occurred because FSA has not expanded its commodity operations' stated mission to

recognize the safety and security responsibilities to be exercised over operations. As a result, FSA has not developed homeland security action plans or procedures to safeguard USDA commodity inventories commensurate with the risks. Action plans and tactical procedures are necessary to ensure that employees and industry contractors optimize potential deterrents for attacks and to ensure they react effectively to minimize the impact of any crisis that may occur. Therefore, USDA's commodity inventories may be exposed to greater risk of deliberate contamination than necessary.

In our effort to ascertain whether any vulnerability assessments for agricultural commodities had been performed within USDA, we interviewed an FSIS assistant deputy administrator who had been identified to us as having assessed the vulnerability of food regulated by USDA. The official stated that FSIS had performed risk assessments for pathogens, chemicals, and radiological substances entering the food supply related to meat, poultry, and egg products only, and its review did not encompass other bulk or processed agricultural commodities maintained in USDA inventories. After reviewing the assessments that had been conducted, we concluded that the FSIS approach could be viewed as a model or guide and used by other affected USDA agencies to facilitate their own assessments.

The current FSA Commodity Operations' stated mission is: "To ensure a uniform regulatory system for storage of agricultural products; ensure the timely provision of high quality food products to domestic and international food assistance and development programs; and ensure the achievement of domestic farm program objectives." However, this mission does not recognize what we believe to be the inherent food safety and agricultural commodity inventory security responsibilities of FSA commodity operations. Interviews with program officials and commodity trade organization representatives disclosed that FSA and related industries were aware of potential risks for threats and attacks of deliberate contamination against agricultural commodity inventories and the need for action to protect them. However, we found no requirements in FSA internal procedures for program managers to assess homeland security risks for commodity inventories or to prepare homeland security strategic action plans based on the results of these assessments.

FSA commodity operation managers believed that the complexities of the acquisition and storage process are too difficult to assess. This process includes bulk interchangeable agricultural commodities owned by USDA and located throughout the country as well as agricultural commodities used as collateral for USDA loans that are also located throughout the country in public warehouses and at individually-owned storage locations located on farms. The managers were concerned what such vulnerability assessments might conclude and the adverse impact on agency resources needed to develop and implement measures that would protect the food supply. Also, the agency's program personnel believed that they do not have the necessary homeland security expertise or training to conduct the assessments. They were also concerned about the potential costs to entities resulting from Government attempts to regulate food security and the resulting regulations that might affect them.

A recent incident provides a clear example of the need for homeland security risk assessments and strategic action plans. FSA maintains a large inventory of agricultural commodities in a number of privately-owned warehouses throughout the Nation. In October 2001, traces of anthrax spores were detected in a U.S. Postal Service stamp fulfillment facility near two [ ] warehouses containing processed agricultural commodities. The postal facility and the warehouses were located within the same underground complex. FSA officials worked with other Federal, State, and local governmental entities, as well as with the private owners of the facility, to minimize the impact of potential contaminants on the public. The CDC eventually determined that there was minimal risk that the warehouses were contaminated. However, we found that FSA did not have a written action plan or other written instructions in place at the time of the incident. Emergency procedures are necessary to prevent further distribution of the commodity and to identify all potentially contaminated

agricultural commodities that may have been shipped before the contamination was discovered. The agency has not yet developed a plan to ensure that agency personnel react timely and properly and notify all recipients of potentially contaminated agricultural commodities when similar incidents occur in the future.

Although FSA and other entities were able to satisfactorily address the cited situation, there is reduced assurance that this or similar incidents will be effectively addressed during any future events. An FSA program specialist, who worked with the ad hoc emergency team that responded to the incident, stated that workable criteria for an action plan could not be developed because of the large variety of potential differences in emergency situations. However, we concluded that generic action plans and tactical procedures can be developed to apply to most situations. These tools are necessary to assure that FSA and storage facility personnel clearly understand (1) the divisions of responsibility among Federal, State, and local authorities and storage facility employees, (2) the appropriate delegations of authority for making critical decisions, and (3) the need for prompt notification from storage facilities of potential incidents. Without effective plans and procedures, there is limited potential for effective team reactions to incidents, particularly if two or more were to occur simultaneously.

The first step is to assess the vulnerability and risk of bulk grain, oilseeds, rice, and processed agricultural commodities to threats and attacks of deliberate contamination. This assessment would need to recognize the complexities of CCC-owned or farmer-owned price support loan commodity collateral being commingled with bulk grain, oilseeds, and rice of other public owners during the storage, transportation, and distribution process. Once individual risks are determined, a plan should be established to minimize the risks that could include assessing the agency operations and rethinking what resources the USDA or FSA has to deploy or reassign in the case of a high risk event or increased alert. These could include:

- assessing established requirements for improving general safety and security at processing, storage, and other agricultural sites to help keep America's food and agriculture safe;
- establishing when specific procedure requiring that the FDA be called upon to assess food safety other than meat, poultry, and eggs for both bulk agricultural commodities and processed commodities used for (1) food for humans, (2) feed for animals, and (3) industrial uses, such as for producing ethanol for fuel; and

- utilizing FSA’s extensive field office structure and staff, including warehouse examiners across the Nation, differently on an event or threat level basis. For example, FSA county office staff might be deployed to perform critical security steps at warehouses in their respective counties under a heightened alert. Another approach might be to utilize the KCCO Warehouse License and Examination Division staff to deviate from their normal steps to perform warehouse examinations in support of the CCC Uniform Storage Agreements and the USWA if in a heightened alert status. In any event, FSA should specify and communicate what it expects its employees to do during the various alert levels.

Based upon these factors, we believe that FSA should intensify its efforts with it’s food safety partners, industry representatives, and other USDA and Federal agencies involved with grain, oilseeds, and rice and processed commodity storage, handling, and transportation to formulate a food safety and security strategy and appropriate assessment criteria that are based on a combination of program goals and potential security threats for deliberate contamination.

**Recommendations to the FSA Administrator:**

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**RECOMMENDATION NO. 1**

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In collaboration with the USDA Homeland Security Office, develop food safety and security strategies for commodity operations and related programs and activities

(commodity operations).

**FSA Response:**

“The FSA Administrator, Associate Administrator, and Deputy Administrator for Commodity Operations met with the Director of USDA’s Homeland Security Office to discuss the draft audit report and actions that FSA should pursue. The Homeland Security Office directed FSA to conduct a risk assessment under their supervision.”

**OIG Position:**

We are unable to reach management decision for this recommendation because the comments did not indicate if FSA plans to develop food safety and security strategies or if the Office of Homeland Security supervised vulnerability assessment will be used for this purpose. To reach management decision on the recommendation, FSA needs to explain how they will develop their food safety and security strategies. In addition, FSA needs to provide estimated timeframes for completion of the recommended corrective actions.

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**RECOMMENDATION NO. 2**

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Conduct a homeland security risk assessment for commodity operations. The results of this risk assessment should be used as the basis for formulating the appropriate corrective

action for all the remaining recommendations in this report.

**FSA Response:**

“FSA has initiated the process to conduct a risk assessment under the direction of the Homeland Security Office. FSA personnel who will be involved in the risk assessment must first obtain security clearances. The risk assessment must be conducted using the methodology recommended by the Homeland Security Office.”

“In addition, FSA has met with the Food and Drug Administration, the Food and Nutrition Service, and the Food Safety and Inspection Service. These three agencies are conducting risk assessments on certain foods. The risk assessments cover the food from “farm to table”. All three agencies believe that FSA should be included in the risk assessments. The first step is to obtain security clearances for FSA personnel. Security clearance applications have been completed and submitted for processing for the affected personnel.”

**OIG Position**

To reach management decision on the recommendation, FSA needs to provide estimated timeframes for completion of the homeland security risk assessment for commodity operations.

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**RECOMMENDATION NO. 3**

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Incorporate homeland security and safety issues into the agency’s Commodity Operations’ mission statement, policies, and procedures.

**FSA Response:**

“Commodity Operations agrees to reevaluate and, as appropriate, update the related mission, policies, and procedures to reflect homeland security and safety issues. FSA is currently undergoing an in-depth review and update to the strategic planning and budget process. As a result, the agency’s mission statements, goals, and performance measures are being re-written. Commodity Operations will work to incorporate the homeland security and safety issues, as appropriate, into the strategic plan.”

**OIG Position**

To reach management decision for the recommendation, FSA needs to address the recommendation upon completion of the risk assessment and provide estimates for the time that is needed to develop and implement the appropriate corrective actions.

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**RECOMMENDATION NO. 4**

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Develop and implement homeland security action plans and tactical procedures for commodity operations. This should be accomplished with active participation of all effected stakeholders to the extent practicable.

**FSA Response:**

“Commodity Operations will implement any actions or recommendations identified through the homeland security risk assessment conducted within the parameters of USDA’s overall homeland security strategies. If possible, the implementation process will include participation from all affected industries. The results of the risk assessments are classified, so actions taken may not be publicly stated as related to the homeland security risk assessment.”

**OIG Position**

To reach management decision for the recommendation, FSA needs to address the recommendation upon completion of the risk assessment and provide estimates for the time that is needed to develop and implement the appropriate corrective actions.

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**FINDING NO. 2**  
**ESTABLISHING SAFEGUARD**  
**REQUIREMENTS ON**  
**AGRICULTURAL COMMODITIES**

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FSA obtains through purchase and forfeiture bulk grain, oilseeds, rice, and other commodity inventories that they are to manage, handle, transport, store, and distribute without clear direction on food safety and security. This occurred because FSA has not adequately dealt with the possibility of intentional and widespread contamination of USDA commodity inventories that could disrupt domestic food production or international trade. The agency has been reluctant to change the long-standing operational policies on how agricultural commodities are handled, stored, and secured. Also, overlapping or unclear jurisdictions among Federal, State, and local entities, including the FDA, on their responsibilities for food safety which includes commodities used for both food for humans and animals, has contributed to the lack of action. As a result, without specific safety and security requirements for commodities owned by USDA or provided as collateral to USDA that are often

commingled with commodities owned by private interests, the confidence in the safety and security of the agricultural commodities used for both human and animal food is diminished.

While the USDA is responsible, by statute, for regulating meat, poultry, and eggs, the FDA has overall statutory responsibility for regulating most other foods. The FDA has issued regulations promulgated by the Food, Drug, and Cosmetic Act (FDCA).<sup>3</sup> The FDCA defines “food” as *“(1) articles used for food or drink for man or other animals, (2) chewing gum, and (3) articles used for components of any such article.”* This definition does not state or imply any differences between the types of table foods; meats, fruits, and vegetables; beverages; bulk agricultural commodities; processed foods; or even animal feed. According to the FDCA, food consumed by farm animals raised for slaughter should be provided the same level of protection that is applied to food for pets, zoo animals, and for the human population. Both FDA and USDA issued voluntary security suggestions to help food processors but neither track nor document the extent to which they are implemented.

On March 21, 2003, the FDA announced the availability of four guidance documents addressing food and cosmetic security preventive measures. Two are revised, final guidance documents; one addresses food producers, processors, and transporters; the other addresses food importers and storage warehouses. The other two documents are draft guidance, one addresses retail food stores and food service establishments, and another addresses cosmetics processors and transporters. These FDA guidance documents take the operators of food and cosmetic establishments through each segment of the system within their control, in order to minimize the risk that the foods or cosmetics under their control are subject to tampering or other malicious criminal or terrorist actions. These guidance documents are not regulations and are not mandatory.

One of the two revised, final guidance documents addressed food producers, processors, and transporters, which were designed to aid operators of food establishments (for example; firms that produce, process, store, repack, re-label, distribute, or transport food or food ingredients). The second guidance document covers operators of food importing establishments, storage warehouses, and other eligible operators (including customhouse brokers). The revised documents identify the kinds of preventive measures that operators may want to consider taking to minimize the risk that food under their control will be subject to tampering or other malicious, criminal, or terrorist actions. However, USDA has not yet acted to require actions to address the agricultural commodities USDA owns or that have been pledged as

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<sup>3</sup> The Food, Drug, and Cosmetic Act, as amended, February 1998.



collateral. In addition to FDA, USDA also has issued voluntary security suggestions to meal providers and producers.

FSA is a complex agency with many varied responsibilities that include its price support and other commodity programs and its domestic acquisition and disposal activities for price supported commodities. FSA, on behalf of CCC, administers non-recourse marketing assistance loans for certain agricultural commodities. That is, a producer has the option of delivering to CCC the quantity of a commodity pledged as collateral for a loan as full payment for that loan at maturity. To be an eligible commodity to be pledged as a loan, the commodity must be merchantable for food, feed, or other uses determined by CCC and may not contain mercurial components, toxin producing molds, or other substances poisonous to humans or animals. Commodities must be stored in approved farm storage that affords safe storage or approved public warehouse storage for price support purposes. FSA acquires the grain but does not usually require tests for contaminants of the agricultural commodities<sup>4</sup> until after the final use has been determined. Our review of applicable price support regulations and internal procedure disclosed FSA has not specified nor required enhanced safety and security measures for storing producer or CCC-owned bulk grain, oilseeds, rice, and processed agricultural commodities.

Under the authority of the USWA FSA offers a voluntary licensing program for public warehouses. FSA estimated that about 47 percent of all commercial warehouse space is licensed under the USWA. However, the legislation, supporting regulations, and informal FSA procedures do not provide any specific requirements or measures for safekeeping stored commodities from acts of deliberate contamination. FSA officials emphasized that the USWA was written to protect commodity depositors and there were no provisions in the USWA for the protection of USDA commodity inventories.

CCC also enters into storage agreements with private individuals and companies to allow warehouse operators to store agricultural commodities owned by CCC or pledged as collateral to CCC for marketing assistance loans. CCC has agreements with warehouse operators under the Uniformed Grain and Rice Storage Agreement (UGRSA). The UGRSA requires the warehouse shall (1) be of sound construction, in good state of repair, and adequately equipped to receive, handle, store, preserve, and deliver the applicable commodity, (2) be under the control of the contracting warehouseman at all times, and (3) not be subject to greater than normal risk of fire, flood, or other hazards. CCC commodity inventory amounts vary in any given year and are commingled with public-owned commodities in these approved warehouses. However, the approval

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<sup>4</sup> Excluding agricultural commodities that are not used for food, such as cotton and tobacco.

standards contained in the regulations and agreement, simply state that “Warehouses be of sound construction, in a good state of repair, and adequately equipped to receive, handle, store, preserve, and deliver the applicable commodity.” Also, the regulations require that the warehouses not be subject to greater than normal risk to fire, flood, or other hazard.

In the course of marketing, bulk agricultural commodities, such as wheat and other grains, are commonly moved and commingled during the journey from farms to the final milling or processing destinations. For example, wheat from one farm may be commingled with wheat from other farms at local grain elevators. Grain from local elevators is often moved to larger elevators and commingled again with wheat from other elevators. Wheat from several counties and States may eventually be mixed at a central warehouse before being processed into flour and other wheat products. Thus, a contaminate, introduced to a single field on a farm or at a single county elevator, may eventually contaminate larger inventories.

An FSA official described an actual incident where several million bushels of grain were destroyed due to herbicide residue contamination. He also described an incident where glass contaminated a rice inventory. In both instances, the foreign materials were identified and corrective action applied before the agricultural commodities were processed. He noted that both of these incidents involved accidental, rather than intentional, contaminations.

An FSA National Commodity Operations manager explained that there are three uses for USDA grain and only one system for storage and transportation, thus, all grain was handled the same no matter how it was used in the end. The uses were (1) food for humans, (2) feed for animals, and (3) industrial uses, such as for producing ethanol for fuel. USDA officials recognized that agricultural commodities meet the FDA definition of food, but very few changes have been made in the operational processes of agricultural commodity inventory protection or related programs that would show increased security or safety measures that have been put in place.

An FSA official also indicated that since USWA-related activities are fee-based, many believe that overregulation could result in public commodity warehouses refusing to participate in the USDA program and in FSA Price Support programs. However, the official indicated that some enhancements had been made to the sugar storage agreement and additional modifications were being considered for other storage agreements to address commodity security issues.

Our interviews with agribusiness interests, including warehouses and

storage facilities, showed they supported some additional voluntary initiatives but are concerned about the potential expense of implementing mandatory safeguards and the potential backlash that public confidence could be reduced in the safety of the food supply. We did visit four warehouse facilities that stored non-fat dry milk, processed agricultural commodities, and both refined and raw sugar. These site visits were conducted primarily to observe the post-September 11, 2001, security measures taken by the warehouses and to obtain their respective comments and concerns on homeland security issues. Of the four sites visited, two had extensive security measures in place while two had more limited security requirements.

A formal evaluation should be performed to determine if there is a need or is not a need to handle the bulk grain, oilseeds, and rice differently as to whether it will be utilized for human food or animal feed. This would include assessing existing legislative authorities, regulations, policies, contracts, and agreements as to whether they contain the necessary provisions to safeguard the agricultural commodities from deliberate contamination and enable USDA to take appropriate corrective actions in the event conditions occur, such as terminating contracts for failure to implement prudent security measures at warehouse facilities. In addition to the risk assessment needed in Finding No. 1, we believe challenges remain in preventing contaminated agricultural commodities from entering the agriculture food supply.

**Recommendations to the FSA Administrator:**

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**RECOMMENDATION NO. 5**

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In collaboration with FDA and the USDA Homeland Security Office, implement measures to manage and protect USDA agricultural commodity inventories and loan collateral.

**FSA Response:**

“Commodity Operations has met with FDA and the USDA’s Homeland Security Office. As stated in response to recommendation 2, FSA will conduct a risk assessment of USDA’s commodity inventories and loan collateral. Based upon the risk assessment, FSA will implement appropriate protective measures. Since the risk assessment results will be classified, FSA will not be able to state publicly what measures will be implemented as a result of the risk assessment.”

**OIG Position**

To reach management decision for the recommendation, FSA needs to address the recommendation upon completion of the risk assessment and provide estimates for the time that is needed to develop and implement the appropriate corrective actions.

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**RECOMMENDATION NO. 6**

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Review existing legislative authorities, regulations, policies, contracts, and agreements, and determine if additional authorities are needed to safeguard from

deliberate contamination USDA agricultural commodity inventories and loan collateral.

**FSA Response:**

“Commodity Operations agrees to review existing legislative, regulatory and contractual authorities and determine if any additional authorities may be needed.”

**OIG Position**

To reach management decision for the recommendation, FSA needs to address the recommendation upon completion of the risk assessment and provide estimates for the time that is needed to develop and implement the appropriate corrective actions.

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**RECOMMENDATION NO. 7**

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On the basis of the conclusions reached on Recommendation No. 6, work with the Department to seek appropriate authority from Congress or the Department of Homeland

Security.

**FSA Response:**

“If FSA determines additional authorities are needed, FSA will work with the Department to obtain necessary actions as appropriate.”

**OIG Position**

To reach management decision for the recommendation, FSA needs to address the recommendation upon completion of the risk assessment and provide estimates for the time that is needed to develop and implement the appropriate corrective actions.

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**RECOMMENDATION NO. 8**

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Revise existing regulations, policies, contracts, and agreements, as needed, (1) to ensure entities are required to exercise prudent

security measures in handling, storing, and transporting USDA commodities and (2) to enable USDA to take appropriate corrective actions in the event deliberate contamination occurs through cause and/or negligence of USDA program participants or contractors. Implementation of these requirements should be prioritized in accordance with the level of risk to the Nation's food supply.

**FSA Response:**

“Commodity Operations will implement any plans or recommendations identified through the homeland security risk assessment conducted within the parameters of USDA's overall homeland security strategies. This process may require regulatory changes involving rulemaking. Commodity Operations has initiated changes to storage agreements and licensing agreements that require warehouse operators to have security plans in place and to conduct vulnerability assessments. These requirements have been included in the revised sugar and peanut uniform storage agreements and in the nuts and cotton licensing agreements. In addition, the homeland security requirements will become effective in the grain and rice storage agreement on April 1, 2004 and in the cotton storage agreement on August 1, 2004.”

**OIG Position**

To reach management decision for the recommendation, FSA needs to address the recommendation upon completion of the risk assessment and provide estimates for the time that is needed to develop and implement the appropriate corrective actions.

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**RECOMMENDATION NO. 9**

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As necessary, provide training for all FSA field staff, including warehouse examiners, on new policies, procedures, roles, and responsibilities implemented in response to Recommendation

No. 8.

**FSA Response:**

“Commodity Operations agrees that training is necessary to implement new policies and procedures. In August 2003, warehouse examiners received training from the American Institute of Baking on assessing and managing potential risks to protect food security and an overview of terrorist threats to food safety. As appropriate, additional training will be provided to all affected Commodity Operations' personnel.”

**OIG Position:**

To reach management decision for the recommendation, FSA needs to

address the recommendation upon completion of the risk assessment and determine the training for all appropriate FSA field staff, including warehouse examiners, on new policies, procedures, roles, and responsibilities. Also, FSA needs to provide estimates for the time that is needed to develop and implement the appropriate corrective actions.

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**FINDING NO. 3**  
**INVENTORY MANAGEMENT**  
**SYSTEMS**

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FSA's PCIMS and GIMS processed commodity and grain inventory management systems do not provide program managers sufficient or timely inventory data to minimize the risks of terrorist attacks. Contaminated agricultural commodities can be shipped from one warehouse to any number of secondary

locations without prompt, reliable system reports disclosing the destination and probable disposition of the agricultural commodities involved. These systems were developed before the vulnerability of the Nation's food supply was believed to be a significant homeland security risk and, thus, did not include safeguards for these risks. As a result, FSA's automated inventory management systems cannot be relied upon to provide accurate, up-to-date information on the location and disposition of inventories during times of crises or in the event of terrorist attacks.

A fundamental role of the Government is to protect America from both foreign and domestic threats. This includes threats to our food supplies. According to GAO, "recent events have raised the specter of bioterrorism as an emerging risk factor for our food safety system."

FSA maintains two major inventory management systems to track USDA commodity inventories, GIMS for grain inventories and PCIMS for processed commodity inventories. Neither system provides same-day data about inventory changes and movements, although program managers can eventually obtain the necessary information from industry records (or for PCIMS agricultural commodities only, from system reports). For example, PCIMS captures data concerning storage locations and shipments of processed agricultural commodities but, due to delayed data entry, some shipments may not be posted in the system for a month or more, depending on the resources available at KCCO at the time. This could prevent managers from promptly identifying the actual location of contaminated food or, at a minimum, cause undue confusion when there is a need to quickly verify the location of a specific lot of the inventory. FSA did not design PCIMS to accept inventory change data directly from the warehouses; warehouse personnel do not have the authority or capability to input inventory data online or through other electronic means. Instead, the warehouses mail bills of lading to KCCO for data entry. Several days or weeks may pass before FSA can identify the destinations of agricultural commodities shipped from a warehouse. As a result,

agency program officials cannot always verify the location of specific lots of processed agricultural commodities that may be adulterated or contaminated to timely stop further distribution or processing.

Similarly, GIMS cannot reliably identify the location of potentially contaminated grain because neither GIMS nor does the industry customarily retain the identity of the actual sources of grain. Grain from one farm or country elevator is commonly commingled with like-grain from other farms and other elevators. As a result, more grain may become contaminated before the contamination is noticed as different inventories are mixed with another.

We did not plan or perform audit reviews of FSA's PCIMS or GIMS systems structures or evaluate the general performance of these systems. However, our evaluation of FSA's reaction to an anthrax incident in 2001 (see Finding No. 1) clearly illustrates that PCIMS did not produce a reliable report to identify the various destinations and quantities of potentially contaminated inventory shipped from the warehouse. On October 31, 2001, the Kansas City evening news reported that a U.S. Postal Service Stamp Fulfillment facility located in Kansas City, Missouri, had tested positive for traces of anthrax. This postal facility is located in an underground cave that also houses two warehouses that were storing about 41 million pounds of non-fat dry milk. A press release was issued subsequently stating that tests would be conducted at the facility to determine if anthrax spores were present. The news release was issued because the postal facility had received a shipment of stamps that tested positive for anthrax on October 19, 2001, from the U.S. Postal Service's Brentwood facility, where anthrax contamination had been confirmed.

On November 1, 2001, FSA officials placed a hold order on all incoming and outgoing non-fat dry milk at the warehouses to prevent further distribution of any potentially contaminated inventories. The hold was in effect from November 1, 2001, through November 13, 2001. FSA officials determined that no outbound shipments had been made from one facility since September 1, 2001. However, approximately 2.2 million pounds had been scheduled for shipment from the second facility since September 1, 2001. Of this quantity, 1.5 million pounds had final shipment dates earlier than October 19, 2001. The remaining quantity had a scheduled shipment date of not later than November 30, 2001. We determined that the two warehouses did not ship agricultural commodities after the hold order of November 1, 2001.

On April 24, 2002, we requested KCCO personnel to provide us documentation to verify that no non-fat dry milk had been shipped from the two onsite warehouses to other locations during the hold order. The KCCO

specialist explained that PCIMS could not produce an accurate up-to-date report to provide the inventory information requested. She stated that, generally, inventory changes are recorded in the system within about 2 weeks; however, at the time of the incident, there was only one employee entering data into the system, causing backlogs for data entry into PCIMS. In one instance, KCCO purchased about 1 billion pounds of non-fat dry milk.

These purchases caused a PCIMS data entry backlog of up to 3 months, even though other employees were temporarily reassigned to assist with data entry. The specialist stated that a review of the bills of lading from the affected warehouses could be performed, but suggested that a manual review would be difficult to accomplish.

Tracking systems that are used to manage USDA inventories should also be used to help assure that questionable, adulterated, or contaminated agricultural commodities are not inadvertently passed on to food processors, school districts, and program participants. And when contaminated or potentially contaminated inventories are shipped, the systems should be useful to quickly identify applicable shipment locations so they may be promptly contacted to prevent further distribution.

#### **Recommendations to the FSA Administrator:**

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#### **RECOMMENDATION NO. 10**

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Evaluate the viability of replacing or upgrading current inventory systems to promptly provide the critical commodity inventory data necessary to minimize homeland security vulnerabilities. At a minimum, determine the critical information needs and estimated costs for developing and implementing such systems and weigh these costs against the potential costs to the industry and the potential harm to the health and welfare of the general public if no changes are made.

#### **FSA Response:**

“FSA, in coordination with the Food and Nutrition Service and the Agricultural Marketing Service, is part of a Departmental team working to acquire a replacement system for the Processed Commodities Inventory Management System. As part of the development process, Commodity Operations agrees to present homeland security issues that need to be addressed in the new supply chain management system. Commodity Operations agrees to initiate a process to evaluate the replacement of the Grain Inventory Management System. As with all information technology projects, funding and approvals through the Agency, the Department and the Office of Management and Budget must be obtained to proceed.”

#### **OIG Position**



To reach management decision, FSA needs to provide the estimated timeframes for completion of the proposed corrective action.

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**RECOMMENDATION NO. 11**

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Pursuant to Recommendation No. 10, develop and implement improved commodity inventory systems that provide critical homeland security features, such as timely and effective reporting of significant details about inventory changes.

**FSA Response:**

“Commodity Operations agrees to develop and implement improved inventory systems if appropriate approvals and information technology funding are obtained through the Agency, the Department and the Office of Management and Budget.”

**OIG Position:**

In order to reach management decision, FSA needs to provide estimated timeframes for completing the proposed corrective actions.

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**FINDING NO. 4**

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FSA does not customarily require background investigations for warehouse examiners before or after employment begins. The FSA either classified the positions as nonsensitive or did

not place suitable priority to assigning an appropriate classification. FSA personnel indicated they had not evaluated whether these positions should be reviewed in light of their duties that relate to the security and safety of the food supply. As a result, it is unclear whether the FSA employees who have examiner responsibilities are suitable for the sensitive positions that they hold.

Title 5 of the Code of Federal Regulations, part 731.106, states that Federal "...positions at the high or moderate risk levels would normally be designated as "Public Trust" positions. Such positions may involve policy making, major program responsibility, public safety and health, law enforcement duties, fiduciary responsibilities, or other duties demanding a significant degree of public trust;..." The regulations further state, "Persons receiving an appointment made subject to investigation under this part must undergo a background investigation." However, our review of Office of Personnel Management and USDA Office of Personnel requirements regarding security classifications and background investigations are directed toward requirements concerning access to classified or sensitive information. These procedures are unclear regarding these requirements as they relate to security and safety of the food supply.

We interviewed the director of the USDA Office of Crisis Planning and Management (OCPM)<sup>5</sup> to ascertain if the office had identified circumstances that could impact on homeland security for commodity inventories. The director stated that he had analyzed recent data from the National Finance Center and found that less than 1 percent of about 2,411 full-time agricultural commodity graders and warehouse examiners held security classifications that required background investigations for the employees.

The OCPM Director expressed his opinion that USDA's commodity inspectors, graders, and examiners hold positions of authority dealing with

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<sup>5</sup> OCPM was incorporated into the Office of Procurement and Property Management (OPPM) Under Secretary's Memorandum No. 1020-052, issued August 15, 2002.

the suitability and safety of agricultural commodities used for food. We believe that FSA should evaluate the responsibilities and authorities of their personnel and assess the risks and vulnerabilities associated with these positions.

**Recommendation to the FSA Administrator:**

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**RECOMMENDATION NO. 12**

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Coordinate with the Office of Procurement and Property Management (OPPM) to determine and obtain the appropriate security classifications and background investigation needed for all FSA employees and contractors who are involved in determinations of suitability and safety of agricultural commodities.

**FSA Response:**

“FSA has coordinated with the Department’s Homeland Security Office on the issue of security clearances. Initially, FSA will obtain security clearances on management officials within Commodity Operations. If appropriate and indicated by the risk assessment, additional security clearances will be obtained.”

**OIG Position**

In order to reach management decision, FSA needs to provide estimated timeframes for completing the proposed corrective actions.

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## EXHIBIT A – AUDIT SITE LOCATIONS

<u>Site Name</u>	<u>Location(s) - 18</u>
<b><u>USDA Agencies:</u></b>	
Agricultural Marketing Service	Washington, DC, and Republic, MO
Farm Service Agency	Washington, DC, and Kansas City, MO
Food and Nutrition Service	Alexandria, VA
Food Safety and Inspection Service	Washington, DC
Grain Inspection, Packers, and Stockyards Administration	Washington, DC, and Kansas City, MO
Office of Procurement and Property Management	Washington, DC
Office of Crisis Planning and Management	Washington, DC
<b><u>Non-USDA Federal Agencies:</u></b>	
Food and Drug Administration	Rockville, MD, and Lenexa, KS
General Accounting Office	Washington, DC
<b><u>Private Companies and Industry Organizations:</u></b>	
American Bakers Association	Washington, DC
American School Food Service Association	Alexandria, VA
AmeriCold Logistics	Carthage, MO
Farmland Insurance Nationwide Agribusiness	Des Moines, IA
National Food Processor's Association	Washington, DC
National Grain and Feed Association	Washington, DC
Okeelanta Corporation	South Bay, FL
[ ]	[ ]
Sugar Cane Growers Cooperative of Florida	Belle Glade, FL

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# EXHIBIT B – FSA RESPONSE



United States  
Department of  
Agriculture

Farm and Foreign  
Agricultural  
Services

Farm Service  
Agency

Advisory and  
Corporate  
Operations Staff

Audits and  
Investigations  
Group

1400 Independence  
Ave, SW  
Stop 0673  
Washington, DC  
20280-0673

DEC 22 2009

**TO:** Director, Farm and Foreign Agriculture Division  
Office of Inspector General

**FROM:** *for* Philip Sharp, Chief *Philip Sharp*  
Audits, Investigations, and State and County Review Branch

**SUBJECT:** Response to Audit No. 50099-13-KC, Homeland Security Issues for  
USDA Inventories

Enclosed is a copy of a memorandum and documentation from the Farm Service Agency's (FSA) Deputy Administrator for Commodity Operations, which responds to your request for information regarding the subject audit.

Please address any questions to Karren Fava at 720-6152.

Enclosure

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## EXHIBIT B – AGENCY RESPONSE



DEC 19 2005

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United States  
Department of  
Agriculture

Farm and Foreign  
Agricultural  
Services

Farm Service  
Agency

1400 Independence  
Avenue, SW  
Stop 0551  
Washington, DC  
20250-0551

**TO:** T. Mike McCann  
Director, Operations and Review Analysis Staff

**FROM:** Bert Farrish   
Deputy Administrator for Commodity Operations

**SUBJECT:** Office of Inspector General's Draft Audit Report 50099-13-KC,  
Homeland Security Issues for USDA Inventories

We have reviewed the subject audit report and are providing the following responses to the recommendations. In general, we believe that our actions taken on homeland security issues as related to commodity operations reflected the guidance received from the Department's Homeland Security Office. We do concur that additional action may now be warranted.

**OIG Recommendation No. 1: In collaboration with the USDA Homeland Security Office, develop food and security strategies for commodity operations and related programs and activities.**

**FSA's Response:** The FSA Administrator, Associate Administrator, and Deputy Administrator for Commodity Operations met with the Director of USDA's Homeland Security Office to discuss the draft audit report and actions that FSA should pursue. The Homeland Security Office directed FSA to conduct a risk assessment under their supervision.

**OIG Recommendation No. 2: Conduct a homeland security risk assessment for commodity operations. The results of this risk assessment should be used as the basis for formulating the appropriate corrective actions for all the remaining recommendations in this report.**

**FSA's Response:** FSA has initiated the process to conduct a risk assessment under the direction of the Homeland Security Office. FSA personnel who will be involved in the risk assessment must first obtain security clearances. The risk assessment must be conducted using the methodology recommended by the Homeland Security Office.

In addition, FSA has met with the Food and Drug Administration, the Food and Nutrition Service, and the Food Safety and Inspection Service. These three agencies are conducting risk assessments on certain foods. The risk assessments cover the food from "farm to table". All three agencies believe that FSA should be included in the risk assessments. The first step is to obtain security clearances for FSA personnel. Security clearance applications have been completed and submitted for processing for the affected personnel.

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## EXHIBIT B – AGENCY RESPONSE

T. Mike McCann  
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**OIG Recommendation No. 3: Incorporate homeland security and safety issues into the agency's Commodity Operations' mission statement, policies, and procedures.**

**FSA's Response:** Commodity Operations agrees to reevaluate and, as appropriate, update the related mission, policies, and procedures to reflect homeland security and safety issues. FSA is currently undergoing an in-depth review and update to the strategic planning and budget process. As a result, the agency's mission statements, goals, and performance measures are being re-written. Commodity Operations will work to incorporate the homeland security and safety issues, as appropriate, into the strategic plan.

**OIG Recommendation No. 4: Develop and implement homeland security action plans and tactical procedures for commodity operations. This should be accomplished with active participation of all effected stakeholders to the extent practicable.**

**FSA's Response:** Commodity Operations will implement any actions or recommendations identified through the homeland security risk assessment conducted within the parameters of USDA's overall homeland security strategies. If possible, the implementation process will include participation from all affected industries. The results of the risk assessments are classified, so actions taken may not be publicly stated as related to the homeland security risk assessment.

**OIG Recommendation No. 5: In collaboration with FDA and the USDA Homeland Security Office implement measures to manage and protect USDA agricultural commodity inventories and loan collateral.**

**FSA's Response:** Commodity Operations has met with FDA and the USDA's Homeland Security Office. As stated in response to recommendation 2, FSA will conduct a risk assessment of USDA's commodity inventories and loan collateral. Based upon the risk assessment, FSA will implement appropriate protective measures. Since the risk assessment results will be classified, FSA will not be able to state publicly what measures will be implemented as a result of the risk assessment.

**OIG Recommendation No. 6: Review existing legislative authorities, regulations, policies, contracts and agreements, and determine if additional authorities are needed to safeguard from deliberate contamination the USDA agricultural commodity inventories and loan collateral.**

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## EXHIBIT B – AGENCY RESPONSE

T. Mike McCann  
Page 3

**FSA's Response:** Commodity Operations agrees to review existing legislative, regulatory and contractual authorities and determine if any additional authorities may be needed.

**OIG Recommendation No. 7:** On the basis of the conclusions reached on Recommendation No. 6, work with the Department to seek appropriate authority from Congress or the Department of Homeland Security.

**FSA's Response:** If FSA determines additional authorities are needed, FSA will work with the Department to obtain necessary actions as appropriate.

**OIG Recommendation No. 8:** Revise existing regulations, policies, contracts, and agreements, as needed, (1) to ensure entities are required to exercise prudent security measures in handling, storing, and transporting USDA commodities and (2) enable USDA to take appropriate corrective actions in the event deliberate contamination occurs through cause and/or negligence of USDA program participants or contractors. Implementation of these requirements should be prioritized in accordance with the level of risk to the Nation's food supply.

**FSA's Response:** Commodity Operations will implement any plans or recommendations identified through the homeland security risk assessment conducted within the parameters of USDA's overall homeland security strategies. This process may require regulatory changes involving rulemaking. Commodity Operations has initiated changes to storage agreements and licensing agreements that require warehouse operators to have security plans in place and to conduct vulnerability assessments. These requirements have been included in the revised sugar and peanut uniform storage agreements and in the nuts and cotton licensing agreements. In addition, the homeland security requirements will become effective in the grain and rice storage agreement on April 1, 2004 and in the cotton storage agreement on August 1, 2004.

**OI Recommendation No. 9:** As necessary, provide training for all FSA field staff, including warehouse examiners, on new policies and procedures and roles and responsibilities as needed.

**FSA's Response:** Commodity Operations agrees that training is necessary to implement new policies and procedures. In August 2003, warehouse examiners received training from the American Institute of Baking on assessing and managing potential risks to protect food security and an overview of terrorist threats to food safety. As appropriate, additional training will be provided to all affected Commodity Operations' personnel.



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## EXHIBIT B – AGENCY RESPONSE

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**OIG Recommendation No. 10: Evaluate the viability of replacing or upgrading current inventory systems to promptly provide the critical commodity inventory data necessary to minimize homeland security vulnerabilities. At a minimum, determine the critical information needs and estimated costs for developing and implementing such systems and weigh these costs against the potential costs to the industry and the potential harm to the health and welfare of the general public if no changes are made.**

**FSA's Response:** FSA, in coordination with the Food and Nutrition Service and the Agricultural Marketing Service, is part of a Departmental team working to acquire a replacement system for the Processed Commodities Inventory Management System. As part of the development process, Commodity Operations agrees to present homeland security issues that need to be addressed in the new supply chain management system. Commodity Operations agrees to initiate a process to evaluate the replacement of the Grain Inventory Management System. As with all information technology projects, funding and approvals through the Agency, the Department and the Office of Management and Budget must be obtained to proceed.

**OIG Recommendation No. 11: Pursuant to Recommendation No. 10, develop and implement improved commodity inventory systems that provide critical homeland security features, such as timely and effectively reporting of significant details about inventory changes.**

**FSA's Response:** Commodity Operations agrees to develop and implement improved inventory systems if appropriate approvals and information technology funding are obtained through the Agency, the Department and the Office of Management and Budget.

**Recommendation No. 12: Coordinate with the Office of Procurement and Property Management (OPPM) to determine and obtain the appropriate security classifications and background investigation needed for all FSA employees and contractors who are involved in determinations of suitability and safety of agricultural commodities.**

**FSA's Response:** FSA has coordinated with the Department's Homeland Security Office on the issue of security clearances. Initially, FSA will obtain security clearances on management officials within Commodity Operations. If appropriate and indicated by the risk assessment, additional security clearances will be obtained.

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## ABBREVIATIONS

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AMS	-	Agricultural Marketing Service
APHIS	-	Animal and Plant Health Inspection Service
Bioterrorism Act	-	Public Health Security and Bioterrorism Preparedness and Response Act of 2002
CCC	-	Commodity Credit Corporation
CDC	-	Centers for Disease Control and Prevention
DHHS	-	Department of Health and Human Services
EPA	-	Environmental Protection Agency
FDA	-	Food and Drug Administration
FDCA	-	Food, Drug, and Cosmetic Act
FNS	-	Food Nutrition Service
FSA	-	Farm Service Agency
FSIS	-	Food Safety and Inspection Service
FY	-	Fiscal Year
GAO	-	U. S. General Accounting Office
GIMS	-	Grain Inventory Management System
GIPSA	-	Grain Inspection, Packers, and Stockyard Administration
KCCO	-	Kansas City Commodity Office
OCPM	-	Office of Crisis Planning and Management
OIG	-	Office of Inspector General
OMB	-	Office of Management and Budget
OPPM	-	Office of Procurement and Property Management
PCIMS	-	Processed Commodity Inventory Management System
STORM	-	Systematic Tracking for Optimal Risk Management
UGRSA	-	Uniformed Grain and Rice Storage Agreement
USDA	-	United States Department of Agriculture
USWA	-	United States Warehouse Act

