USDA

United States Department of Agriculture

2008 Performance and Accountability Report

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Message from the Secretary

In fulfillment of our responsibilities to the President, Congress, and the people of the United States, I am pleased to share the 2008 Performance and Accountability Report of the U.S. Department of Agriculture (USDA).

Upon its creation in 1862, President Abraham Lincoln called USDA "the people's department," because it affects so many people's lives in so many different ways, and earlier, President Thomas Jefferson, a farmer, noted that "cultivators of the earth are the most valuable citizens." USDA works hard to keep these sentiments alive as it pursues its mission to provide leadership on food, agriculture, natural resources, and related issues based on sound public policy, the best available science, and efficient management.

In fiscal year (FY) 2008, to support this mission, USDA's diverse workforce of more than 100,000 employees served as stewards of more than $96.5 billion in taxpayer dollars to:

- Meet the needs of farmers and ranchers, promoting use of state-of-the-art agricultural research and technology and ensuring that the domestic agricultural sector continues to grow and remain competitive;
- Expand economic opportunities in international markets for farmers, ranchers, and rural communities—realizing a record $114.06 billion in U.S. agricultural exports in FY 2008;
- Use the best available science and technology to protect the safety of the Nation's food supply;
- Facilitate access to a healthy diet for needy Americans, providing $34.0 billion in food stamp benefits;
- Prevent and fight devastating wildfires as well as restore fire-ravaged land;
- Introduce the Fight Hunger Initiative for individuals and organizations wishing to help USDA fight hunger in communities across America;
- Expand the availability of fruits and vegetables in School Lunch and nutrition programs;
- Modernize the nutrition guidance USDA provides the Nation to reflect the latest scientific information and combat our country's obesity epidemic;
- Develop renewable energy and demonstrate how biofuels help keep gas prices down, reduce America's dependence on oil, and reduce greenhouse gas emissions;
- Eradicate and control invasive pests and prevent pest infestations;
- Prevent introduction and fight animal diseases such as *avian influenza*;
- Implement mandatory country-of-origin labeling;
- Implement a national animal tracking system to help prevent disease spread;
- Continue to improve and expand soil, water, and other natural resource conservation programs;
- Work closely with the Federal Emergency Management Agency to assist in clean-up efforts following a devastating hurricane season; and
- Invest in infrastructure that will bring new economic opportunities and jobs to rural areas.

In response to the Government Accountability Office's placement of USDA's Food Safety and Inspection Service (FSIS) on its high-risk list in 2007, FSIS is working to reduce illness caused by contamination of the food supply by:

- Implementing the *Salmonella* Initiative Program to provide incentives for meat and poultry plants whose processes control foodborne pathogens;
- Enhancing FSIS' ability to comprehensively evaluate food safety systems and take action as appropriate;

- Building a quality public health infrastructure with data that are readily accessible to key decision-makers and front-line personnel; and
- Conducting real-time surveillance of high-risk shipments of meat, poultry, and egg products coming into the United States as well as vulnerability assessments focused on imports with the Food and Drug Administration, and the Department of Homeland Security's U.S. Customs and Border Protection.

The Department's Senior Management Control Council continues to oversee USDA's assessment of internal control over its programs, operations, financial systems, and financial reporting. The Department's work is consistent with the provisions of the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA). Through the work of the Council, valuable information on the state of our systems allows us to provide a reasonable assurance that the content of this report is based on sound, accurate data.

Nevertheless, continued improvement is needed to remediate existing material weaknesses and financial system noncompliances. To accomplish this goal, USDA management is continuing to monitor corrective action plan activities. Therefore, I provide qualified assurance that, except for the areas in need of improvement as described in the Management Assurances section of this report, USDA's internal control over operations, financial systems, and financial reporting meet the objectives of FMFIA and FFMIA. The financial and performance information presented herein is complete and accurate and is in accordance with the law and with Office of Management and Budget guidance.

Agriculture holds answers to some of the most pressing problems faced by our Nation and world—from meeting needs for renewable energy, and increasing crop yields to fight hunger, protecting the food supply to improving our environment and optimizing international trade. I hope that this report will provide you with an enhanced appreciation of USDA's role in this dynamic industry as well as a deeper understanding of agriculture's critically important role throughout America and around the world.

Edward T. Schafer
Secretary
November 17, 2008

About this Report

The Government Performance and Results Act of 1993 requires all Federal agencies to engage in a strategic planning process that directly aligns resources with results and enhances the accountability of all government endeavors to the American taxpayers who finance them.

This results-oriented process includes the development and implementation of a five-year strategic plan; annual reporting that sets specific, measurable targets for performance at the beginning of each fiscal year; and a concrete, data-based assessment at year-end of the success of these endeavors.

This Fiscal Year 2008 Performance and Accountability Report is the year-end progress report of the Department of Agriculture (USDA). It reviews the strategic goals and objectives the Department set for itself at the beginning of the fiscal year and compares initial targets to actual performance. The data used by USDA to measure actual performance are collected using standardized methodology that has been vetted by Federally employed scientists and policymakers and, ultimately, by the undersecretaries of the respective mission areas, all of whom attest to the completeness, reliability, and quality of the data.

In addition to promoting accountability and enhancing the management of USDA programs, this report also helps illuminate the strategic allocation of resources in the future by directly linking program performance to budgetary decisions.

This report assists policymakers to make informed decisions. It also strives to provide transparency to all Americans interested in the workings of their government and USDA's ability to "manage for results" in performing its many vital public functions.

1 Management's Discussion and Analysis

An Overview of the Department of Agriculture

The Department of Agriculture (USDA) is a diverse and complex organization with programs that touch the lives of all Americans every day. More than 100,000 employees deliver more than $96.5 billion in public services through USDA's more than 300 programs worldwide, leveraging an extensive network of Federal, State, and local cooperators.

Founded by President Abraham Lincoln in 1862, when more than half of the Nation's population lived and worked on farms, USDA's role has evolved with the economy. Today, USDA improves the Nation's economy and quality of life by:

- Enhancing economic opportunities for U.S. farmers and ranchers;
- Ensuring a safe, affordable, nutritious, and accessible food supply;
- Caring for public lands and helping people care for private lands;
- Supporting the sound, sustainable development of rural communities;
- Expanding global markets for agricultural and forest products and services; and
- Working to reduce hunger and improve America's health through good nutrition.

Addressing these timeless concerns in the modern era presents its share of challenges. America's food and fiber producers operate in a global, technologically advanced, rapidly diversifying, and highly competitive business environment driven by sophisticated consumers.

This report provides information on USDA's core performance measures as described in its *Strategic Plan for FY 2005-2010*. They are:

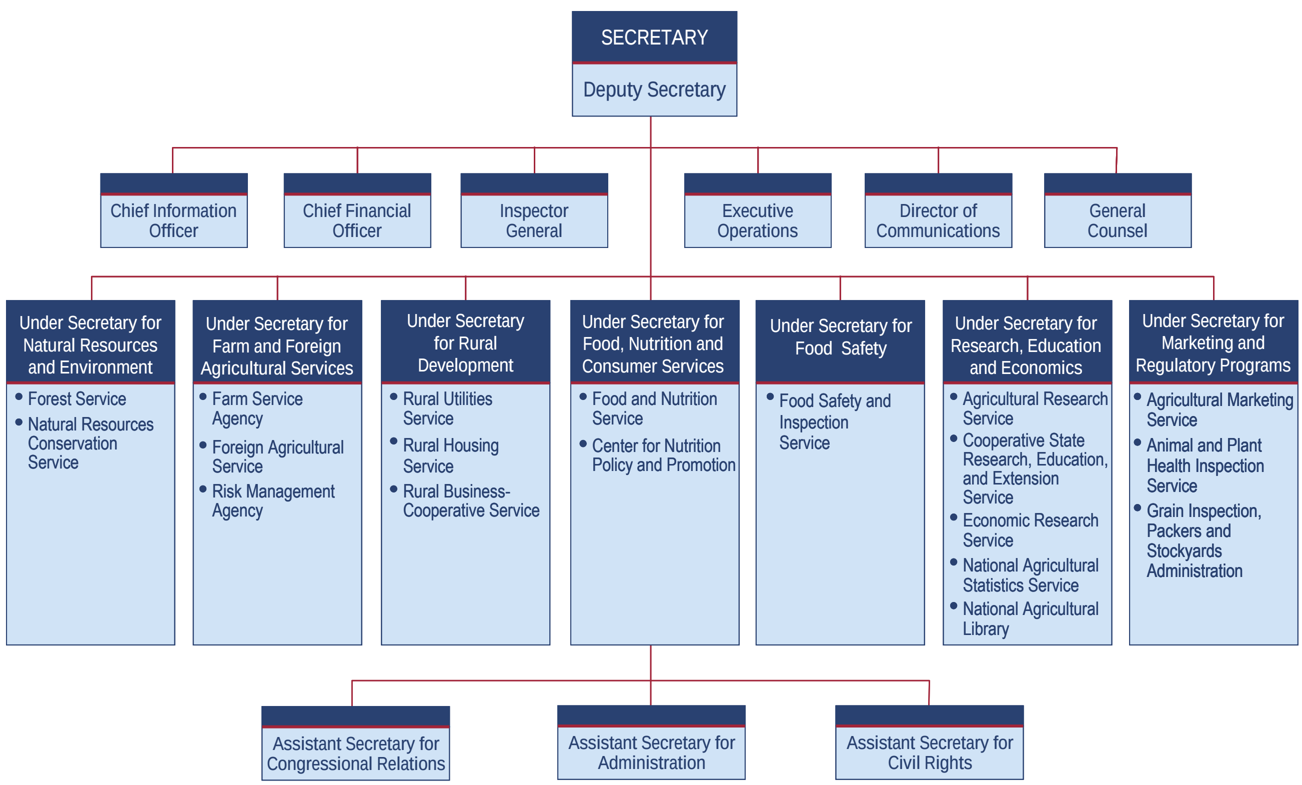
- To enhance international competitiveness of American agriculture;
- To enhance the competitiveness and sustainability of rural and farm economies;
- To support increased economic opportunities and improved quality of life in rural America;
- To enhance protection and safety of the Nation's agriculture and food supply;
- To improve the Nation's nutrition and health; and
- To protect and enhance the Nation's natural resource base and environment.

These six goals mirror USDA's commitment to provide first-class service, state-of-the-art science, and consistent management excellence across the Department. USDA uses the Program Assessment Rating Tool (PART) to assess and improve program performance so that the Department can achieve better results. The PART identifies how well and efficiently a program is working and what specific actions can be taken to improve its performance. PART ratings and analysis for all Federal Government programs can be found on the internet at ExpectMore.gov. Other internal and external program evaluations related to the goals and conducted during fiscal year (FY) 2008 are included in this document.

Although change has been a constant in the evolution of the United States farm and food sector, the current marketplace emphasizes the growing importance to consumer preferences and the reach of global markets. USDA's objectives reflect this. Through these objectives, USDA will strive to:

- Expand international trade for agricultural products and support international economic development;
- Expand domestic marketing opportunities for agricultural products and strengthen risk management, the use of financial tools, and the provision of sound information to help farmers and ranchers in their decision-making process;
- Further develop alternative markets for agriculture products and activities;
- Provide financing needed to help expand job opportunities and improve housing, utilities, and infrastructure in rural America;
- Enhance food safety by taking steps to reduce the prevalence of foodborne hazards from farm to table and safeguard agriculture from natural and intentional threats;
- Improve nutrition by providing food assistance and nutrition education and promotion; and
- Manage and protect America's public and private lands working cooperatively with other levels of Government and the private sector.

Exhibit 1: Headquarters Organization



Mission Statement

The Department of Agriculture provides leadership on food, agriculture, natural resources, quality of life in rural America and related issues based on sound public policy, the best-available science and efficient management.

USDA's FY 2008 key milestones include:

- Preserving over $7 billion in foreign trade through resolution of trade barriers;
- Providing over 15,000 loans to beginning, minority, and women farmers;
- Offering over $88 billion in Federal crop insurance protection;
- Creating or saving over 70,000 jobs in rural America;
- Maintaining loans to help 2.5 million rural families with housing loans including 64,000 new loans;
- Eradicating the Asian Longhorned Beetle, an invasive pest, from Illinois;
- Providing Food Stamp assistance to more than 28 million people on average each month;
- Distributing more than 3 billion pieces of nutrition guidance materials via the Web and print;
- Improving over 30 million acres of land using conservation measures;
- Treating almost 2.9 million acres with hazardous fuel reduction programs and conserving over 128,000 acres of wetland habitats; and
- Funding 22,500 years of graduate student forestry studies.

Mission Areas

To ensure that USDA's efforts focus squarely on meeting its real world objectives, the Department's work is organized by mission areas, which are a collection of agencies that work together to achieve USDA's aforementioned strategic goals. A description of USDA's seven mission areas follows.

Natural Resources and Environment

The Natural Resources and Environment (NRE) mission area ensures the health of the land through sustainable management. Its agencies work to prevent damage to natural resources and the environment, restore the resource base, and promote good land management. NRE consists of the Forest Service (FS) and the Natural Resources Conservation Service (NRCS). FS manages public lands in national forests and grasslands, which encompass 193 million acres. NRCS provides leadership in a partnership effort to help America's private land owners and managers conserve their soil, water, and other natural resources. Both Agencies work in partnership with Tribal, State, and local Governments; communities; related groups; and other Federal agencies to protect the Nation's soils, watersheds, and ecosystems.

Farm and Foreign Agricultural Services

The Farm and Foreign Agricultural Services (FFAS) mission area helps keep America's farmers and ranchers in business as they face the uncertainties of weather and markets. FFAS delivers commodity, credit, conservation, disaster, and emergency assistance programs that help improve the stability and strength of the agricultural economy. The mission area is comprised of the Farm Service Agency (FSA), the Foreign Agricultural Service (FAS), and the Risk Management Agency (RMA). FSA administers and manages farm commodity, credit, conservation, disaster, and loan programs as laid out by Congress through a network of Federal, State, and county offices. FAS works to improve international market access for U.S. products, build new markets, improve the competitive position of domestic agriculture in the global marketplace, and provide food aid and technical assistance to other countries. RMA helps producers manage their business risks through effective, market-based risk management solutions.

This mission area also includes two Government-owned corporations. The Commodity Credit Corporation (CCC) works to stabilize farm income to help ensure an adequate, affordable supply of food and fiber. This corporation is a financial mechanism by which agricultural commodity, credit, export, conservation, disaster, and emergency assistance is provided. The Federal Crop Insurance Corporation (FCIC) improves the economic stability of agriculture through a sound system of crop insurance.

Rural Development

The Rural Development (RD) mission area focuses on helping improve the economy and quality of life in all of rural America. RD provides financial programs to support such essential public facilities and services as water and sewer systems, housing, health clinics, emergency service facilities, and electric and telephone service. It promotes economic development by providing loans to businesses through banks and community-managed lending pools, while also assisting communities to participate in community empowerment programs. RD provides grants, loans, and loan guarantees to farmers, ranchers, and rural small businesses to assist in developing renewable energy systems and make energy efficient improvements.

Food, Nutrition and Consumer Services

The Food, Nutrition and Consumer Services (FNCS) mission area works to harness the Nation's agricultural abundance to reduce hunger and improve health in the United States. Its agencies administer Federal domestic nutrition assistance programs. FNCS is comprised of the Food and Nutrition Service (FNS) and the Center for Nutrition Policy and Promotion (CNPP). FNS administers USDA's 15 Federal nutrition assistance programs. CNPP works to improve the health and well-being of Americans by developing and promoting dietary guidance that links scientific research to the nutrition needs of consumers.

Food Safety

The Food Safety and Inspection Service (FSIS) is the public health agency responsible for ensuring that the Nation's commercial supply of meat, poultry, and egg products is safe, wholesome, and labeled and packaged correctly.

Research, Education and Economics

The Research, Education and Economics (REE) mission area is dedicated to the creation of a safe, sustainable, competitive U.S. food and fiber system, as well as the development of strong communities, families, and youth through integrated research, analysis, and education. REE is comprised of the Agricultural Research Service (ARS); the Cooperative State Research, Education and Extension Service; the Economic Research Service; the National Agricultural Statistics Service (NASS); and the National Agricultural Library.

Marketing and Regulatory Programs

The Marketing and Regulatory Programs mission area facilitates the domestic and international marketing of U.S. agricultural products and ensures the health and care of animals and plants. MRP is made up of the Agricultural Marketing Service (AMS); the Animal and Plant Health Inspection Service (APHIS); and the Grain Inspection, Packers, and Stockyards Administration (GIPSA). AMS administers programs that facilitate the efficient, fair marketing of U.S. agricultural products, including food, fiber, and specialty crops. APHIS provides leadership in ensuring the health and care of animals and plants. GIPSA facilitates the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products.

Departmental Offices

Department-level offices provide centralized leadership, coordination, and support for USDA's policy and administrative functions. Their efforts maximize the energy and resources agencies devote to the delivery of services to USDA customers and stakeholders.

Resources

Congressional appropriations are the primary funding source for USDA operations. FY 2008 program obligations totaled $137.7 billion, an increase of $9.8 billion compared to FY 2007. These are current year obligations from unexpired funds. They do not include prior year upward or downward obligation adjustments.

Exhibit 2: FY 2008 and 2007 USDA Program Obligations Dedicated to Strategic Goals

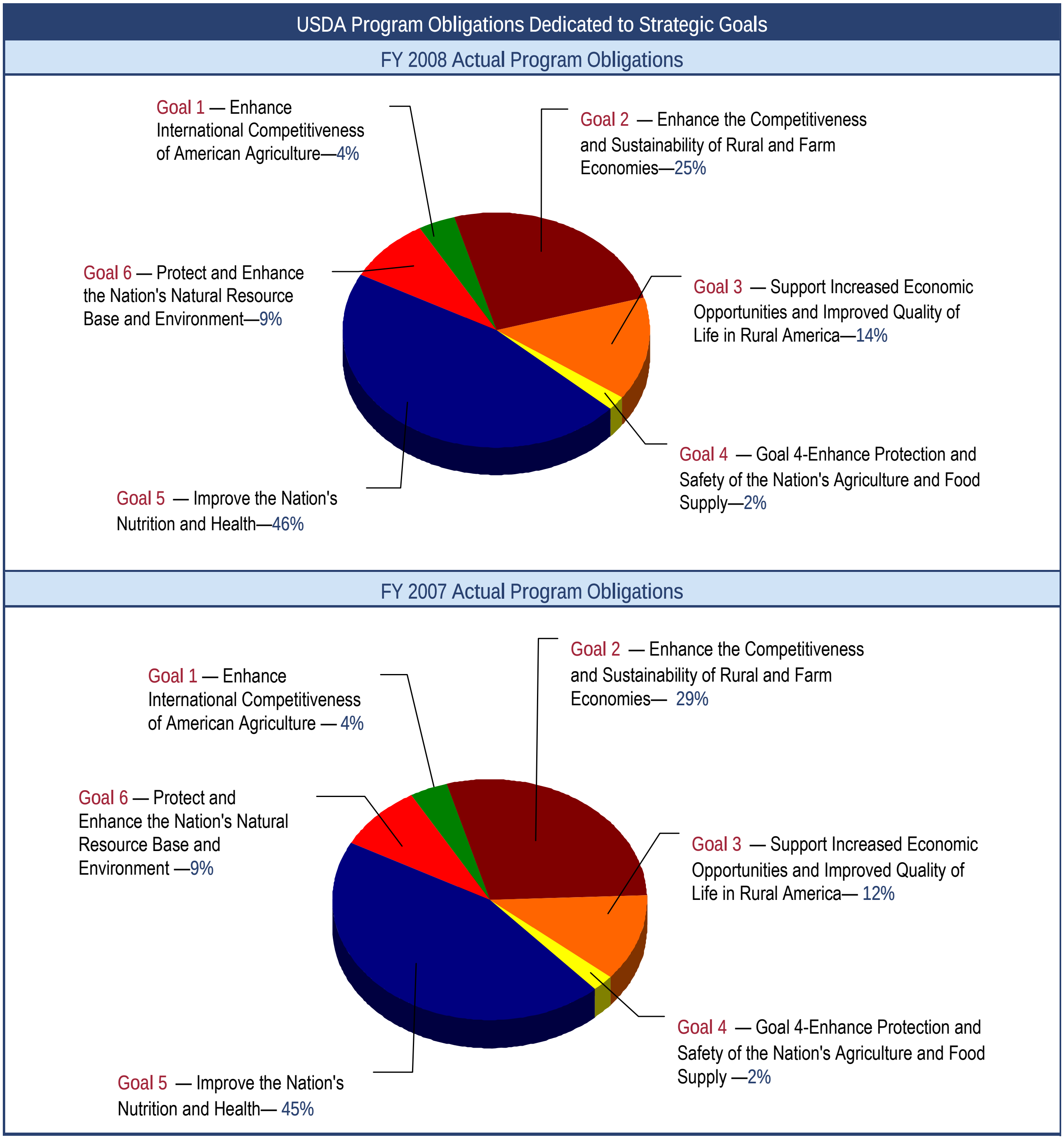
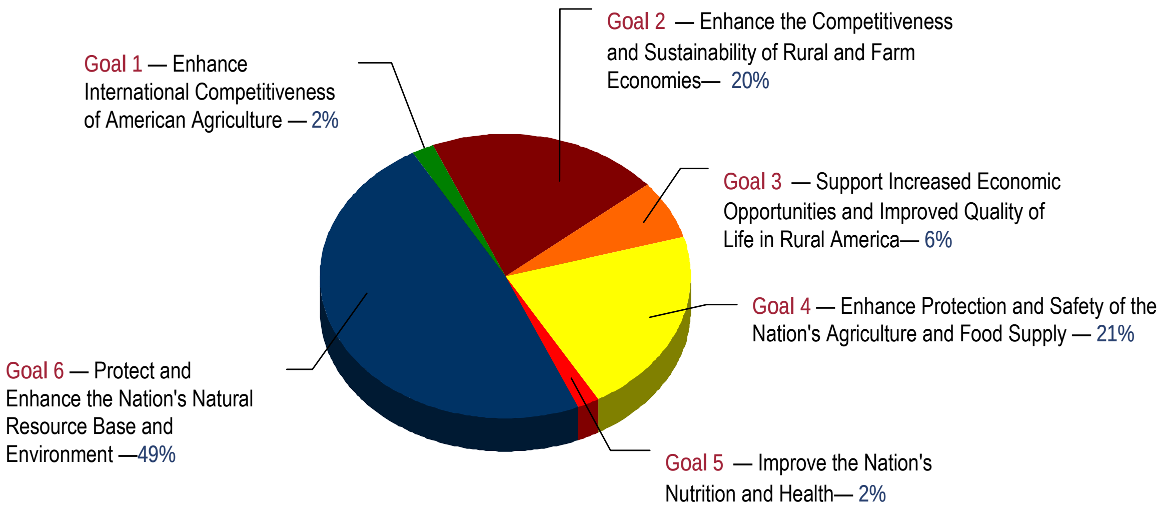


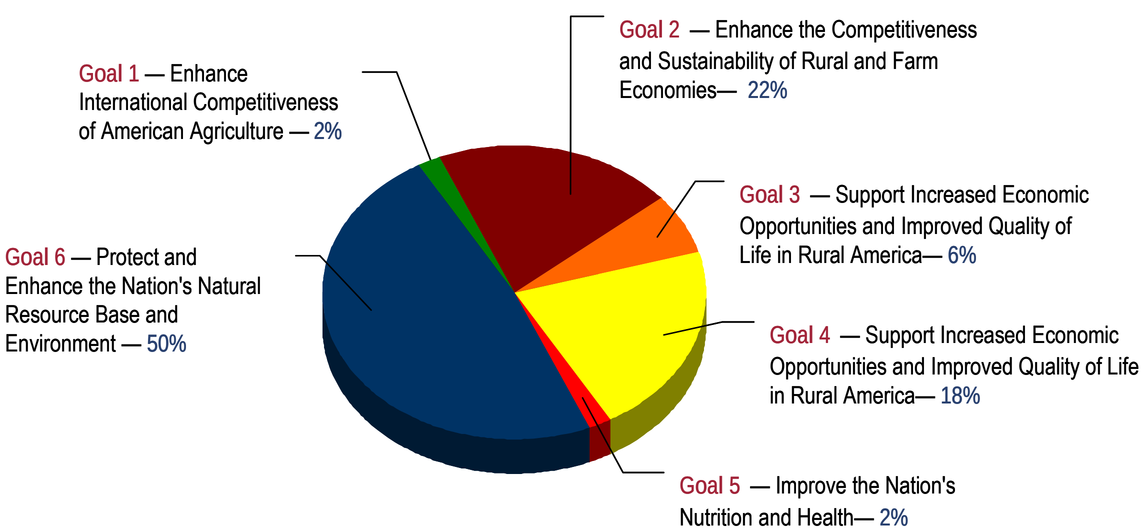
Exhibit 3: FY 2008 and 2007 USDA Staff Years Dedicated to Strategic Goals

USDA Staff Dedicated to Strategic Goals

FY 2008 Actual Staff Years



FY 2007 Actual Staff Years



Performance Goals, Objectives, and Results

Of the 33 performance goals contained in USDA's FY 2009 and Revised FY 2008 Budget Summary and Annual Performance Plan, 28 were met or exceeded, 4 were unmet, and 1 was deferred. The following Performance Scorecard table, organized by USDA's strategic goals and objectives, provides a summary of the Department's performance results. Measure 3.2.5 consolidates two separate measures from the Budget Summary. Additional analyses of these results can be found in the Performance Section of this report.

PERFORMANCE SCORECARD FOR FY 2008				
Objectives		Annual Performance Goals		Result
Strategic Goal 1: Enhance International Competitiveness of American Agriculture				
1.1	Expand and Maintain International Export Opportunities	1.1.1	Dollar value of agricultural trade expanded through trade agreement negotiation, monitoring, and enforcement (Non-Sanitary and Phytosanitary)	Unmet
1.2	Support International Economic Development and Trade Capacity Building	1.2.1	Number of countries in which substantive improvements have been made in national trade policy and regulatory frameworks that increase market access	Exceeded
		1.2.2	Food Aid Targeting Effectiveness Ratio	Exceeded
1.3	Improved Sanitary and Phytosanitary (SPS) System to Facilitate Agricultural Trade	1.3.1	Value of trade preserved annually through USDA staff interventions leading to resolutions of barriers created by SPS or Technical Barrier to Trade (TBT) measures	Exceeded
Strategic Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies				
2.1	Expand Domestic Market Opportunities	2.1.1	Number of items designated as biobased for Federal procurement	Exceeded
2.2	Increase the Efficiency of Domestic Agricultural Production and Marketing Systems	2.2.1	Timeliness – Percent of time official reports are released on the date and time pre-specified to data users	Unmet
		2.2.2	Percent of market-identified quality attributes for which USDA has provided standardization	Exceeded
2.3	Provide Risk Management and Financial Tools to Farmers and Ranchers	2.3.1	Increase the normalized value of risk protection provided to agriculture producers through FCIC-sponsored insurance ($ Billion)	Met
		2.3.2	Increase percentage of eligible crops with Noninsured Crop Disaster Assistance Payments (NAP) coverage.	Unmet
		2.3.3.	Increase percentage of beginning farmers, racial and ethnic minority farmers, and women farmers financed by USDA.	Met
Strategic Goal 3: Support Increased Economic Opportunities and Improved Quality of Life in Rural America				
3.1	Expand Economic Opportunities by Using USDA Financial Resources to Leverage Private Sector Resources and Create Opportunities for Growth	3.1.1	Jobs Created or Saved	Met
3.2	Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities, and Needed Community Facilities	3.2.1	Number of borrowers/subscribers receiving new and/or improved electric facilities	Exceeded
		3.2.2	Number of borrowers/subscribers receiving new or improved telecommunication services (Broadband)	Exceeded
		3.2.3	Number of borrowers/subscribers receiving new or improved service from agency funded water facility	Exceeded
		3.2.4	Homeownership opportunities provided	Exceeded
		3.2.5	Percentage of customers who are provided access to new and/or improved essential community facilities – • Health facilities • Safety facilities	Met

PERFORMANCE SCORECARD FOR FY 2008				
Objectives		Annual Performance Goals		Result
Strategic Goal 4: Enhance Protection and Safety of the Nation's Agriculture and Food Supply				
4.1	Reduce the Incidence of Foodborne Illnesses Related to Meat, Poultry, and Egg Products in the U.S.	4.1.1	Reduce overall public exposure to generic *Salmonella* from broiler carcasses using existing scientific standards	Met
		4.1.2	Reduce the overall public exposure to *Listeria monocytogenes* in ready-to-eat products	Met
		4.1.3	Reduce the prevalence of *E. coli* O157:H7 on ground beef	Unmet
4.2	Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks	4.2.1	Number of significant introductions of foreign animal diseases or pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals or humans	Met
		4.2.2	Improve the capabilities of animal and plant diagnostic laboratories • Specific plant diseases labs are prepared to detect • Specific animal diseases labs are prepared to detect	Met
Strategic Goal 5: Improve the Nation's Nutrition and Health				
5.1	Ensure Access to Nutritious Food	5.1.1	Participation levels for the major Federal nutrition assistance programs (millions per month): • Food Stamp Program (FSP) • National School Lunch Program (NSLP) • School Breakfast Program (SBP) • Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Met
5.2	Promote Healthier Eating Habits and Lifestyles	5.2.1	Application and usage level of nutrition guidance tools (pieces of nutrition guidance distributed)	Exceeded
5.3	Improve Nutrition Assistance Program Management and Customer Service	5.3.1	Increase Food Stamp payment accuracy rate	Deferred
Strategic Goal 6: Protect and Enhance the Nation's Natural Resource Base and Environment				
6.1	Protect Watershed Health to Ensure Clean and Abundant Water	6.1.1	Comprehensive nutrient management plans applied (number of plans) • Conservation Technical Assistance • Environmental Quality Incentives Program	Met
		6.1.2	Increase Conservation Reserve Program (CRP) acres of riparian and grass buffers	Exceeded
6.2	Enhance Soil Quality to Maintain Productive Cropland Base	6.2.1	Cropland with conservation applied to improve soil quality (millions of acres) • Conservation Technical Assistance Program • Environmental Quality Incentives Program • Conservation Security Program	Met
6.3	Protect Forests and Grasslands	6.3.1	Number of acres of hazardous fuel treated that are in the wildland urban interface	Met
		6.3.2	Number of acres of hazardous fuel treated that are in condition classes 2 or 3 in Fire Regimes I, II, or III outside the wildland-urban interface	Met
		6.3.3	Number of acres in condition classes 2 or 3 in Fire Regimes I, II, or III treated by all land management activities that improve condition class	Met
		6.3.4	Grazing and forest land with conservation applied to protect and improve the resource base (millions of acres) • Conservation Technical Assistance • Environmental Quality Incentives Program	Exceeded

PERFORMANCE SCORECARD FOR FY 2008				
Objectives		Annual Performance Goals		Result
Strategic Goal 6: Protect and Enhance the Nation's Natural Resource Base and Environment (cont'd)				
6.4	Protect and Enhance Wildlife Habitat to Benefit Desired, At-Risk, and Declining Species	6.4.1	Wetlands created, restored, or enhanced (acres) • Conservation Technical Assistance • Wetlands Reserve Program • Conservation Reserve Program	Exceeded

Actions on Unmet and Deferred Goals

USDA continuously works to improve its performance across all of its strategic goals and objectives. Sometimes circumstances arise that result in the Department falling short of its goals. At other times, the Department consciously alters its approach in ways that enhance its service to the public, but that make a specific performance goal a less effective indicator of real progress. The Annual Performance Report section of this report offers further discussion of the Department's actions on its goals.

Management Challenges

In August, USDA's Office of Inspector General (OIG) prepared a report on the most significant management challenges within the Department (Appendix A). These challenges have been identified as potential issues that could hamper the delivery of its programs and services. To mitigate these challenges, USDA management provides accomplishments for the current fiscal year and/or planned actions for the upcoming one. The Department is reporting on nine management challenges for FY 2008. Although one challenge from FY 2007 was removed, a new challenge was added for the current year. This addition leaves the total count of management challenges unchanged from the previous fiscal year. The following table summarizes those challenges that changed from FY 2007 to FY 2008.

FY 2007 Management Challenges	FY 2008 Changes
(Challenge #1) Interagency Communication, Coordination, and Program Integration Need Improvement	(Challenge #1) New Issue Added—Increase communication and coordination on issues related to agricultural inspection policies and procedures
(Challenge #2) Issue—Strengthen quality control, publish sanction procedures and perform required reconciliation in the Federal Crop Insurance Program	Issue Revised Strengthen quality control and perform required reconciliation of producer/policy holder data in the Federal Crop Insurance Program
(Challenge #3) Issue—Improve Forest Service internal controls and management accountability to effectively manage its resources, measure its progress towards goals and objectives, and accurately reports its accomplishments	Issue Revised (added NRCS) Improve FS and NRCS internal controls and management accountability to effectively manage its resources, measure its progress towards goals and objectives, and accurately report its accomplishments
(Challenge #4) Issue—Implementation of Improper Payments Information Act Requirements Needs Improvement	(Challenge Removed by the Office of the Inspector General)
(Challenge #5) Issue—Continue vulnerability risk assessments to determine the adequacy of food safety and security over agricultural commodities that the Department manages, handles, transports, stores, and distributes	(Now Challenge #4) Issue Revised Implement commodity inventory systems that provide critical homeland security features and complete security clearances for employees involved in commodity inventory management activities and in risk assessments

FY 2007 Management Challenges	FY 2008 Changes
Challenge #5 Issue—Work with States in preparing for and handling *avian influenza* occurrences in live bird markets or other "off-farm" environments	(Now Challenge #4) Issue Revised Continue to strengthen ability to respond to *avian influenza* outbreaks and strengthen controls over live animal imports
Challenge #5 Issue—Ensure animal disease surveillance testing protocols are based on emerging science	(Now Challenge #4) Issue Removed by the Office of the Inspector General
Challenge #5 Issue—Continue to work with other USDA agencies to ensure effective coordination and implementation of Homeland Security Presidential Directive-9; e.g., develop animal and plant diagnostic and tracking networks	(Now Challenge #4) Issue Removed by the Office of the Inspector General

The following table includes FY 2008 accomplishments and/or FY 2009 planned actions as well as ongoing activities to address the Department's challenges.

USDA's Management Challenges

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

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

Fiscal Year 2008 Accomplishments

- Published the Routine Uses for System of Records in the *Federal Register* to allow producer and member information to be disclosed to RMA and, subsequently, approve insurance providers, their agents, and loss adjusters under contract with RMA;
- Established future common reporting requirements for producer, State, and county offices based on recommendations from RMA/FSA working group;
- RMA and FSA Production Workgroup analyzed current agency production data to determine incorporation into the Comprehensive Information Management System (CIMS);
- Finalized crop categorization table;
- RMA and NRCS met to further pursue the collection, sharing, and definitions of common data;
- Initiated common reporting requirements for prevented planting acreage; and
- Developed a Transportation and Export database for monitoring and reconciling shipments.

Planned Actions for Fiscal Year 2009

- Incorporate RMA and FSA production and Common Land Unit data into the CIMS database;
- Develop a single acreage reporting process for insured producers to reduce duplicate reporting requirements for producers for common elements and eliminate the need for reconciliation;
- Continue to develop reports and procedures for accessing and utilizing CIMS Projects;
- Begin incorporating FSA member entity data and production data into CIMS;
- Provide access to CIMS applications using eAuth for current CIMS' users including State Offices;
- Continue developing the Lean Six Sigma Grants Process to better integrate the management of grants and financial assistance programs. This process will include cost share, easements, stewardship, emergency landscapes, and traditional grants;
- Enhance NRCS Easement Business Tool to data mine and data share between USDA agencies;
- Pilot the National Easement Programs Management System in four states;
- Develop the National Grant Programs Management System, which will facilitate the consistent management of traditional grants across the Department;
- Develop the National Emergency Watershed Protection Programs Management System, which will facilitate the consistent management of all watershed programs across the Department;
- Meet weekly to coordinate issues and opportunities common to the conservation agencies and related to program financial assistance eligibility, Section 1614 reporting, CIMS and the Federal Financial Accountability and Transparency Act;
- Perform risk assessments for several rail cargo pathways; and
- Develop guidance on the use of Transportation and Exportation permits.

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

- Develop Rural Housing Service controls over administering disaster housing assistance programs to ensure aid is provided to the needy and avoid benefits duplication.

Planned Actions for Fiscal Year 2009

- Establish procedures to compare Federal Emergency Management Agency (FEMA) numbers for duplication after a disaster and upgrade the Multi-Family Information System to reject duplicate FEMA numbers; and
- Develop procedures to monitor owners and management agents immediately following a disaster.

- Strengthen quality control and perform required reconciliation of producer/policy holder data in the Federal Crop Insurance Program.

Fiscal Year 2008 Accomplishments

- Reviewed selected RMA Approved Insurance Providers operations to determine their compliance with the quality control guidelines listed in the Standard Reinsurance Agreement and associated Appendix IV.

Planned Actions for Fiscal Year 2009

- Continue reviews of selected Approved Insurance Providers operations to determine compliance with quality control guidelines listed in the Standard Reinsurance Agreement and associated Appendix IV;
- RD will coordinate with other Departments and Agencies to compare disaster assistance and procedures related to housing; and
- RD will establish procedures to monitor assistance in response to a disaster.

- Improve FS and NRCS internal controls and management accountability to effectively manage resources, measure progress towards goals and objectives and accurately report accomplishments.

Fiscal Year 2008 Accomplishments

- Completed corrective actions to successfully implement the Government Performance and Results Act;
- Performed an annual systems assessment of all FS financial/mixed financial systems;
- Conducted oversight reviews on performance accountability within various regions; and
- Continued to implement corrective actions identified through the Office of Management and Budget (OMB) Circular A-123, "Management's Responsibility for Internal Control," Appendix A, OIG/Government Accountability Office (GAO) audits.

Planned Actions for Fiscal Year 2009

- Continue to improve oversight within FS of national firefighting contract crews by implementing corrective actions in response to OIG audit reports;
- Complete an annual systems assessment of all FS financial/mixed financial systems;
- FS will conduct oversight reviews on performance accountability within various regions;
- FS will continue to implement corrective actions identified through the OMB Circular A-123, Appendix A process and OIG/ GAO audits;
- NRCS will hire two more staff members to write financial policy to strengthen management controls; and
- NRCS will Increase monitoring to ensure effective resource management.

- Capitalize on FSA compliance activities to improve program integrity.

Fiscal Year 2008 Accomplishments

- Monitored the National Compliance Review database for compliance; and
- Initiated the assessment of results from compliance reviews and took the necessary actions to correct identified internal control weaknesses.

Planned Actions for Fiscal Year 2009

- Analyze results from compliance reviews to identify any program weaknesses and revise procedures to address those weaknesses.

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

- Emphasize security program planning and management oversight and monitoring.

Fiscal Year 2008 Accomplishments

- Enhanced Cyber Security Scorecard reporting requirements to reflect security components of the Privacy Act, OMB Circular A-123, Appendix A, and the President's Management Agenda;
- Continued to use the Federal Informantion Security Management Act of 2002 (FISMA) Cyber Security Scorecard and issue monthly to Senior IT leadership and executive management within the Department;
- Converted data from a legacy system to Cyber Security Assessment and Management (CSAM) reporting tool on schedule;
- Converted the General Support System information for the Office of the Chief Information Officer (OCIO) and Service Center Agencies to CSAM;

- Completed and verified system categorizations in CSAM; and
- Utilized the monthly FISMA Cyber Security scorecard to track agency compliance with key security program elements. The scorecard is used by Departmental executives to maintain open dialog with agency heads and program administrators on the health of USDA's IT risk management initiatives and vulnerability mitigation actions.

Planned Actions for Fiscal Year 2009

- Leverage the CSAM tool to manage IT Security Program Compliance and Oversight;
- Evaluate performance metrics through analysis of the Cyber Security Score Card, CSAM, and Cyber Security Communications Center;
- Implement redefined performance metrics and develop strategic plan;
- Monitor and assist agency progress using the Cyber Security Score Card, CSAM, and Cyber Security Communications Center; and
- Develop tactical plans, as needed.

• Establish an internal control program throughout the systems' life cycle.

Fiscal Year 2008 Accomplishments

- Integrated OMB Circular A-123, Appendix A, and FISMA program elements into a system's life cycle;
- Updated policy and procedures, and implemented new scorecard reporting elements;
- Completed revisions to the security awareness training policy, the disaster recovery planning guidelines, scanning and patching requirements, and the incident response policy and procedures to align with current National Institutes of Standards and Technology (NIST) and OMB guidance;
- Reviewed a wireless local area network in the Washington, D.C., Headquarters complex to validate and verify security program compliance;
- Reviewed incident handling procedures compliance and improved reporting oversight to ensure that all policy and procedures are followed timely and completely; and
- Developed Standard Operating Procedures to document internal business processes–Incident Handling, Privacy Act Assessments/System of Records Notice reviews, System Boundary, and System Categorization Verification.

Planned Actions for Fiscal Year 2009

- Continue to integrate OMB Circular A-123, Appendix A, and FISMA program elements into the system's life cycle;
- Continue with policy and procedure updates;
- Implement new scorecard reporting elements, as needed;
- Continue to work with agencies to monitor and improve IT controls; and
- Utilize CSAM to eliminate duplicate OMB Circular A-123, Appendix A, and FISMA testing.

• Identify, test and mitigate IT security vulnerabilities (risk assessments).

Fiscal Year 2008 Accomplishments

- Identified and published critical IT security controls;
- Reviewed Plans of Action and Milestones (POA&Ms) closures;
- Ensured ongoing oversight of program compliance and risk mitigation activities;
- Reviewed the wireless access points in the Washington, D.C., Headquarters complex and USDA agencies' adherence to proper incident handling procedures;
- Formalized internal procedures for monitoring the Department's compliance with incident handling procedures;
- Issued updated standards on Password Complexity and Wireless Network Security; and
- Drafted revised IT Contingency and Disaster Planning policy.

Planned Actions for Fiscal Year 2009

- Ensure that risk ratings are properly assigned, system self-assessments are performed, POA&Ms are generated, and tasks and milestones are managed appropriately;
- Review risk ratings (systems categorizations) early in the certification and accreditation process to ensure security testing and evaluations are performed for the appropriate level;
- Review POA&M closure documentation and control testing, and monitor progress using scorecard and CSAM;
- Initiate policy gap analysis and revise the Access Control and Configuration Management policies and procedures;
- Publish revised policy and procedures for Access Control;
- Continue compliance monitoring efforts; and
- Publish revised policy and procedures on Continuity Planning.

• Improve access controls.

Fiscal Year 2008 Accomplishments

- Addressed access control issued in IT and the service center agencies. Significant progress has been made to reduce the number of unnecessary accounts on the Information Technology Services network;

- Issued operating system specific hardening guides. These guides help users to secure theirUSDA computers;
- Published security configuration guides for Windows 2000 Server, Win Mobile, Solaris 10, UNIX, AS/4090, Personal Electronic Devices, Web Farm, and Oracle on Win server 2003; and
- Drafted and issued Operating System Technical Configuration Standards for Access Controls.

Planned Actions for Fiscal Year 2009

- Ensure that technical, operational, and management controls for IT access are documented and monitored; and
- Review and revise USDA Security Policies to ensure comprehensive and consistent guidance for the management of user access controls.

- Implement appropriate application and system software change control.

Fiscal Year 2008 Accomplishments

- Organized a team of USDA personnel to discuss the testing and implementation of the Federal Desktop Core Configuration (FDCC);
- Reviewed Configuration Management Plans for NIST compliance during the concurrency reviews of Certification and Accreditation documentation;
- Monitored USDA agencies' compliance with FDCC; and
- Reviewed and validated selected USDA agency network/system patching reports.

Planned Actions for Fiscal Year 2009

- Update regulations to meet the NIST and other Federal requirements relating to change control processes; and
- Review configuration management guidance and update, as needed.

- Develop disaster contingency (service continuity) plans.

Fiscal Year 2008 Accomplishments

- Reviewed USDA agency contingency plans for completeness and compliance with NIST guidelines; and
- Updated and issued guidance on the preparation of Disaster Recovery plans.

Planned Actions for Fiscal Year 2009

- Successfully test all USDA agencies' continuity of operations plans;
- Ensure that disaster recovery plans are in the Enterprise Contingency Planning Program System and all systems are accounted for through a comprehensive inventory process; and
- Monitor USDA agencies' compliance with disaster recovery plan testing through the Cyber Security Scorecard, Certification, and Accreditation concurrency process, and CSAM.

- Determine overall risks, prioritize those risks, and develop and implement a time-phased plan to systematically mitigate identified risks.

Planned Actions for Fiscal Year 2009

- Develop agency and Departmental level Security Program Security plans and identify common/critical security risks; and
- Develop preliminary time-phased plan to mitigate common/critical security risks.

4) Departmental Efforts and Initiatives in Homeland Security Need to be Maintained.

- Implement commodity inventory systems that provide critical homeland security features and complete security clearances for employees involved in commodity inventory management activities and risk assessments.

Fiscal Year 2008 Accomplishments

- Initiated the development of a Web-Based Supply Chain Management system to include the business processes, applications, data, security and controls, technical infrastructure, and training and change management solutions for a commodity inventory system that will provide critical homeland security features; and
- Granted clearance for current FSA employees involved in the risk assessment process and the inventory management activities.

Planned Actions for Fiscal Year 2009

- Continue implementation of the Web-Based Supply Chain Management system; and
- Ensure that future FSA employees will have the appropriate security clearances, as needed.

- Continue to strengthen controls over select agents and toxins.

Fiscal Year 2008 Accomplishments

- Developed Standard Operating Procedures for performing inspections; and
- Conducted select agent security training for inspectors.

Planned Actions for Fiscal Year 2009

- Implement an annual Compliance Inspection Program for all agriculture registered entities.

- Continue efforts to coordinate with the Department of Homeland Security in implementing effective control systems to ensure the safety and security of agricultural products entering the country.

Fiscal Year 2008 Accomplishments

– Initiated the development of guidance for the electronic reporting of refused-entry data. A dedicated mailbox was created specifically for this purpose. APHIS's Veterinary Services (VS), reviewed the data weekly for trends and contacted Mexico's animal health agency officials as needed for corrective actions. Shipments are rejected routinely at the southern United States border if import requirements are not met.

Planned Actions for Fiscal Year 2009

– Implement guidance for the electronic reporting of refused-entry data.

- Continue to strengthen ability to respond to *avian influenza* outbreaks.

Fiscal Year 2008 Accomplishments

– Prepared APHIS strategic plan to include detailed goals, objectives, and activities for addressing *avian influenza* during FY 2009 through FY 2012; and
– Revised APHIS guidance related to internal (State-Federal) communication of foreign animal disease outbreaks and indicated the specific responsibilities of the state animal health official, the Federal area veterinarian in charge, the foreign animal disease diagnostician, diagnostic laboratories, and Federal regional offices and headquarters.

Planned Actions for Fiscal Year 2009

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

- Strengthen controls over live animal imports.

Fiscal Year 2008 Accomplishments

– Developed a protocol for the importation of camelids from Canada into the United States;
– Updated health certificate requirements for horses imported from Canada;
– Developed a protocol for the transiting of Canadian cattle to Mexico; and
– Developed an alert on "Inspection Procedures for Bovines from Canada at Canadian Land Border Ports of Entry."

Planned Actions for Fiscal Year 2009

– Collect monthly data on Canadian cattle import discrepancies and implement resolution, as needed;
– Develop a VS Process Streamlining Live Animal Import Module to contain records of all live animal entries and refusals. The module will provide data quality and management reports, and fully implement internal automated controls enforcing strict business rules and data standards. This process will lessen the opportunity for database errors;
– Initiate efforts for APHIS to develop the ability to exchange electronic data, acquired and validated with secure, electronic signatures, for inclusion into VS specific animal health and surveillance management systems. The project will be piloted with Canadian officials in supporting the ability to exchange secure, electronic data, both for import and export U.S. trade; and
– Develop protocols with the Canadian Food Inspection Agency for evaluating zoning policies and procedures for Foreign Animal Diseases (FAD) and mutual recognition of zoning decisions following detection of an FAD in either country.

5) Material Weaknesses Continue to Persist in Civil Rights Control Structure and Environment.

- Develop a plan to process complaints timely and effectively.

Fiscal Year 2008 Accomplishments

– Developed automated intake report for pending complaints;
– Established formal procedures for prompt resolution of complaints not processed timely;
– Developed automated adjudication reports for pending complaints;
– Reassessed performance standards for specialists in the Employment Complaints Division to include the timely completion of assigned cases; and
– Required contract agreements for investigations to include a standard provision for timely and quality services.

Planned Actions for Fiscal Year 2009

- Request the Equal Employment Opportunity Commission to conduct training and provide technical assistance with investigations and processing of complaints.

- Ensure integrity of complaint data in the system.

Fiscal Year 2008 Accomplishments

- Finalized formal plan for business rules;
- Created audit procedures for reviewing sample cases for data integrity;
- Created automated quality control tool; and
- Conducted audit of sample cases.

- Develop procedures to control and monitor case file documentation and organization.

Fiscal Year 2008 Accomplishments

- Posted vacancy announcement for records management.

Planned Actions for Fiscal Year 2009

- Develop comprehensive records management procedures for Equal Employment Opportunity (EEO) case files;
- Implement procedures for transferring and safeguarding documents part of an EEO complaint file; and
- Obtain the services of an external contractor to inventory and review EEO case files and establish record retention procedures.

6) USDA Needs To Develop a Proactive, Integrated Strategy To Assist American Producers To Meet the Global Trade Challenge.

- Continue to strengthen genetically engineered organism field testing controls to prevent inadvertent genetic mixing with agricultural crops for export.

Fiscal Year 2008 Accomplishments

- Signed a Memorandum of Understanding between APHIS, AMS, and GIPSA, clarifying each agency's roles when responding to incidents of low-level presence of regulated, genetically engineered material in commerce.

Planned Actions for Fiscal Year 2009

- Revise regulations for the importation, interstate movement, and environmental release of genetically engineered organisms; and
- Develop standards and guidelines for the APHIS Biotechnology Quality Management System.

- Develop a global market strategy.

Planned Actions for Fiscal Year 2009

- Expand outreach activities to key countries;
- Incorporate the Country Strategy Statements (CSS) into the FAS Mission Strategic Planning process; and
- Redefine the CSS development process to incorporate regional and global perspective encompassing USDA interests in individual countries and regions.

- Strengthen trade promotion operations.

Planned Actions for Fiscal Year 2009

- Analyze and reassess market development programs by coordinating industry trade partners' program initiatives with USDA functional area efforts;
- Continue developing new program management software and ongoing efforts to streamline program administration;
- Further develop evaluation criteria and processes to demonstrate the effectiveness of market development program administration and funding allocations; and
- Conduct annual review/reassessment of FAS outreach effort.

7) Better Forest Service Management and Community Action Needed to Improve the Health of the National Forests and Reduce the Cost of Fighting Fires.

- Develop methods to improve forest health; and
- Establish criteria to reduce the threat of wildland fires.

Fiscal Year 2008 Accomplishments

- Developed national guidance for the regions to use in assessing the risks from wildfires;
- Monitored the effectiveness of hazardous fuel treatments and restoration projects;
- Developed partnerships with States and counties to develop and deliver fire prevention ordinances for use in planning and zoning in wildland urban interface areas; and
- Conducted large fire cost reviews.

Planned Actions for Fiscal Year 2009

- Continue to conduct large fire cost reviews and implement corrective actions, as applicable;
- Monitor the effectiveness of hazardous fuel treatments and restoration projects;
- Obtain clarification from the Office of the General Counsel (OGC) on both FS and States' protection responsibilities in the wildland urban interface and other private properties threatened by wildfires; and
- Develop partnerships with States and counties to develop and deliver fire prevention ordinances for use in planning and zoning in wildland urban interface areas.

8) Improved Controls Needed for Food Safety Inspection Systems.

- Develop a time-phased plan to complete assessments of establishment food safety systems control plans and production processes, including a review program that includes periodic reassessment;
- Develop a process to accumulate, review, and analyze all data available to assess the adequacy of food safety system; and
- Improve the accuracy of data available in the systems.

Fiscal Year 2008 Accomplishments

- Conducted a number of analyses to determine the temporal relationships among the factors that may be used for assessing an establishment's ability to control risk;
- Developed a project management plan to use certified agency project managers to assert appropriate control using American National Scientific Institute (ANSI)-earned value management standards to measure and control costs and schedule;
- Issued FSIS Directive 5100.1, Revision 2, "Enforcement, Investigations, and Analysis Officer Comprehensive Food Safety Assessment Methodology;"
- Developed a risk-based approach to prioritize food safety assessments;
- Met monthly to prioritize analytical and reporting needs. Business requirements were developed, including recommendations on reports that district analysts should be generating;
- Programmed tracking system for monitoring the completion of In-Plant Performance System (IPPS) assessments. These assessments allow users to generate reports displaying lists of individuals who have outstanding IPPS reviews;
- Updated the AssuranceNet Users Guide to provide additional guidance to supervisors reviewing IPPS assessments. The new guidance instructed them to specifically focus on the extent to which applicable elements and sub-elements are completed over the course of the year. It also ensured their oversight reviews include a determination of whether there is a match between the narrative comments and what is in the follow-up boxes; and
- Maintained data and information systems infrastructure adequate to support inspection activities.

Planned Actions for Fiscal Year 2009

- Test the electronic food safety assessments. As data are collected, they will be evaluated and analyzed. FSIS will examine relevant time windows prior to establishing its exact use in estimating risk;
- Implement a modernization effort to continue to improve the security, quality, and sustainability of the system infrastructure (ongoing);
- Continue to utilize the Enterprise Architecture Blueprint to provide the foundation for documenting, assessing, and improving the lines of agency business processes, and ensuring they are properly aligned to the system's capabilities and needs. The blueprint also provides the mechanism to align and improve system data capture and automation capabilities further (ongoing); and
- Continue to utilize the Public Health Information Consolidation Projects (PHICP) and the Public Health Data Communication Infrastructure Systems (PHDCIS) to plan, track, and report on IT operational and development activities better. PHICP tracks and reports the development of information systems for FSIS. PHDCIS contains the operational, maintenance, and infrastructure hardware and activities (ongoing).

- Complete corrective actions on prior recommendations.

Fiscal Year 2008 Accomplishments

– Implemented a tracking system for audit recommendations that notifies FSIS program managers monthly about their obligations to respond to and take final action on OIG recommendations. The system is used to track results and produce a variety of reports.

- Continue to develop and implement a strategy for hiring and training inspectors.

Fiscal Year 2008 Accomplishments

– Trained public health veterinarians to conduct food safety assessments.

Planned Actions for Fiscal Year 2009

– Conduct a review of the effectiveness of its training programs;
– Conduct surveys of inspection program personnel and their supervisors following training to verify that inspectors are performing key job duties as instructed; and
– Develop refresher training to reinforce inspection duties.

9) Implementation of Renewable Energy Programs at USDA

- Develop and implement a viable and comprehensive renewable energy strategy for USDA agencies and programs; and
- Establish internal controls to ensure that renewable energy research is not duplicated and meets the needs of the current marketplace.

Planned Actions for Fiscal Year 2009

– Establish an inter-agency working group to review and make recommendations to the USDA Energy Council. The group will address strategic planning goals and results measurements, and develop Department-wide guidance to eliminate duplicate funding for renewable energy projects;
– Develop Department-wide policies and procedures that require agencies to check for duplicate funding within USDA; and
– Develop a database to check for duplicate funding with other Federal agencies.

Future Demands, Risks, Uncertainties, Events, Conditions, and Trends

USDA is influenced by many of the same forces that shape the American economy—globalization of markets, scientific advances, and fundamental changes in the Nation's family structure and workforce. Farmers and food companies operate in highly competitive markets with constantly changing demand for high quality food with a variety of characteristics, including convenience, taste, and nutrition.

Additionally, homeland security is a significant, ongoing priority for USDA. The Department is working with the Department of Homeland Security to help protect agriculture from intentional and accidental acts that might affect America's food supply or natural resources.

External factors that challenge USDA's ability to achieve its desired outcomes include:

- Weather-related hardships and other uncontrollable events at home and abroad;
- Domestic and foreign macroeconomic factors, including consumer purchasing power, the strength of the U.S. dollar, and political changes abroad that can impact domestic and global markets greatly at any time;
- The availability of funds for financial assistance provided by Congress and the local and national economies;
- Sharp fluctuations in farm prices, interest rates, and unemployment also impact the ability of farmers, other rural residents, communities, and businesses to qualify for credit and manage their debts;
- The impact of future economic conditions and actions by a variety of Federal, State, and local Governments that will influence the sustainability of rural infrastructure;
- The increased movement of people and goods, which provides the opportunity for crop and animal pests and diseases, such as *avian influenza* and *bovine spongiform encephalopathy*, to move quickly across national and foreign boundaries;
- Potential exposure to hazardous substances, which may threaten human health and the environment and the ability of the public and private sectors to collaborate effectively on food safety, security, and related emergency preparedness efforts;

- The risk of catastrophic fire is dependent on weather, drought conditions, and the expanding number of communities in the wildland-urban interface; and
- Efforts to reduce hunger and improve dietary behaviors depend on strong coordination between USDA and a wide array of Federal, State, and local partners.

USDA's Results Agenda—Implementing Federal Management Initiatives

USDA works to strengthen its focus on results through vigorous execution of the President's Management Agenda (PMA). This agenda focuses on management improvements that help USDA consistently deliver more efficient and effective programs to its stakeholders. This process is designed to improve customer service and provide more effective stewardship of taxpayer funds. As discussed in the Department's *Strategic Plan for FY 2005-2010*, USDA plans to:

- Ensure an efficient, high-performing, diverse workforce, aligned with mission priorities and working cooperatively with partners and the private sector;
- Enhance internal controls, data integrity, management information, and program and policy improvements as reflected by an unqualified audit opinion;
- Reduce spending and burden on citizens, partners, and employees by simplifying access to the Department's information. This enhancement is added by implementing business processes and information technology needed to make its services available electronically;
- Link budget decisions and program priorities more closely with program performance and consider the full cost of programs and activities;
- Reduce improper payments by developing targets and implementing corrective action plans;
- Efficiently and effectively manage its real property;
- Transform Information Technology (IT) enterprise infrastructure to be cost effective and consistent across all agencies and geographic regions;
- Improve its research and development investments by using objective criteria; and
- Support the essential work of faith-based and community organizations.

USDA employees are charged with executing these management initiatives, which they do with an emphasis on customer service. The PMA calls for the Office of Management and Budget (OMB) to score departments on each initiative. Green indicates success, yellow indicates mixed results, and red indicates an unsatisfactory score. There are two scores awarded. "Status" indicates that a department is meeting the standards established for success. "Progress" indicates that it is progressing adequately in meeting established deliverables and timelines. The arrows next to the scores indicate whether the score has improved (↑), declined (↓), or remained the same (↔) compared to FY 2007.

Status		Progress
● (green) ↔	HUMAN CAPITAL	● (yellow) ↔

The PMA challenges Federal Government leaders to think boldly and strategically to improve the management and performance of Government. Nowhere is this challenge more important than in the strategic management of human capital.

USDA continues to build upon its success in completing the human capital initiatives and objectives set forth in its *December 2006 Strategic Human Capital Plan*. To that end, USDA has established a team of agency Human Capital representatives to review and update the 2006 Plan to meet the criteria in 5 CFR 250 and to align with USDA's strategic plan, including mission, goals, objectives, and budget that include an implementation plan with targets, milestones, and measures. USDA's Strategic Human Capital Plan focuses on five strategic goals that drive USDA's human capital initiatives:

- Human capital management strategies are aligned with the Department's mission, goals, and organizational objectives and integrated into strategic plans, performance plans, and budgets;

- Leaders and managers effectively manage people, ensure continuity of leadership, and sustain a learning environment that drives continuous improvements;
- Skills, knowledge, and competency gaps/deficiencies in mission-critical occupations have been closed and meaningful progress toward closing skills, knowledge, and competency gaps/deficiencies in all agency occupations has been made;
- The workforce is diverse, results-oriented, and high-performing, and the performance management system differentiates between high and low levels of performance and links individual/team/unit performance to organizational goals and desired results effectively; and
- Human capital management decisions are guided by a data-driven, results-oriented planning and accountability system.

To attract a diverse, highly skilled workforce, USDA markets itself as the "Employer of Choice" in the Federal Government. Through the use of targeted recruitment efforts and automated hiring systems, USDA has achieved some of the best hiring timelines Government wide. For its General Schedule (GS) positions, employment offers are made within 25 days, on average. Offers for Senior Executives average 28 days. The GS timeframe is less than the 45-day metric established by the Office of Personnel Management and the Senior Executive timeframe is consistently the best in government.

USDA continues to use Career Pattern (CP) initiatives by designing vacancy announcements that market USDA as an employer of choice. By identifying appropriate applicant pools and their attractors, building environments suitable for those attractors and designing vacancy announcements highlighting the attractors, the Department has attracted a broader pool of highly skilled applicants successfully. Foundation Financial Information System (FFIS) uses career patterns language for GS-701 Veterinary Medical Science and GS-1863 Food Inspection vacancies; and FNS uses career patterns language for its GS-630 Dietician and Nutritionist vacancies.

The ARS also recently recruited for a GS-301-5/7 Volunteer and Internship Program Coordinator to develop and enhance formal and informal educational programs associated with research activities, grounds, and living displays at the National Arboretum in Washington, D.C. Among its family friendly flexibilities, the position allows for an adjustable work schedule that best suits the incumbent's personal and professional needs, and the opportunity to telecommute.

A USDA CP workgroup monitors compliance and implementation of the Career Patterns guidelines. The CP workgroup meets quarterly to brainstorm ideas for vacancy announcements that will incorporate career patterns and streamline announcements, thus making the process of searching for a job more applicant-friendly. The CP workgroup plans to draft a template for Department-wide review in the near future.

Through the adoption of a strategic goal focusing solely on accountability, USDA has demonstrated its commitment to excellence. The Department progressed substantially in completing its accountability reviews. It conducted all required reviews. Implementation of the resulting recommendations has strengthened human resources processes throughout USDA, which is enhancing its accountability program further by institutionalizing and standardizing the delegated examining review process. Through more consistent and timely internal reviews, USDA can focus additional accountability resources on strategic and workforce planning, leadership and knowledge management, and talent management.

USDA scored green for status and yellow for progress on the September 30, 2008, scorecard.

USDA will continue to work with its human capital partners to create programs that will enhance employee development. These programs will also increase the use of human capital flexibilities for managers in recruitment and retention, streamline processes for more efficient and faster service, and ensure that the Department workforce has the skills to meet the challenging demands of the 21st century. USDA is committed to leading by example and serving as the vanguard of the Federal Government's overall human capital transformation efforts. Specifically, the Department will:

- Continue reviewing opportunities for greater organizational and operational efficiencies within selected mission areas;
- Complete its scheduled accountability reviews and report; and
- Develop and maintain a diverse, talented workforce capable of achieving the USDA mission.

Status	COMMERCIAL SERVICES MANAGEMENT	Progress
↔		↔

The Office of the Chief Financial Officer (OCFO) oversees USDA's Commercial Services Management (CSM) initiative. The Department implements CSM reasonably and rationally to achieve significant cost savings, improved performance, and a better alignment of the agency's workforce to its mission. This initiative is designed to improve the efficiency and effectiveness of agency operations by employing a variety of management tools. In addition to commercial services studies, which were previously the primary focus of this initiative, CSM uses management efficiency assessments to identify projects for more in-depth analysis by means of other management tools. In addition to standard commercial services studies, USDA employs other tools such as business process reengineering, Lean Six Sigma, and High Performance Organizations for the purpose of continuing to simplify and improve the procedures for evaluating operations and resources.

USDA requires that a management efficiency assessment, including a cost-benefit analysis, be completed prior to a recommendation to use one of the CSM management tools referenced above. This strategy ensures that functions selected for further evaluation result in an organization implemented with lower costs and increased operational efficiencies. Assessments continue to be linked to agency human capital plans to ensure that workforce planning and restructuring, and retention goals are met while achieving cost savings.

USDA continues to review its functions to identify those that can be evaluated to achieve efficiency and/or quality improvement.

USDA has earned a yellow for status and a green for progress on the September 30, 2008, scorecard.

Commercial Services results are reported annually to Congress by December 31 for the preceding fiscal year. The results through FY 2007 reflected actual accrued savings of more than $70 million.

Actions taken by USDA include:

- Activities seeking to improve productivity and produce savings:
  - NRCS completed a competition of its Headquarters Administrative function of 39 full-time employees (FTE). The estimated gross savings is $3.1 million over the 5-year performance period;
  - For FY 2009, USDA plans reviews covering more than 2,300 FTE. When the results of an efficiency assessment indicate a favorable return on investment and/or improved operational efficiency, an appropriate tool is implemented to achieve the desired outcome;
  - The OCFO has two commercial services studies in progress as of the end of the fourth quarter;
  - USDA continues to track completed competitions for annual accrued savings and desired performance targets; and
  - A system of independent validation and post competition review has been further defined to monitor performance and verify annual accrued savings for completed competitions;
- Conducted training on OMB's Commercial Services and Workforce Inventory Tracking system and the Federal Activities Inventory Reform (FAIR) Act Inventory; and
- Issued a CSM Plan which incorporates USDA's major management improvement projects.

Challenges

- **Forest Service Legislative Restrictions**—Congress, through the Department of Interior FY 2008 Appropriations Bill, placed a one-year moratorium on FS' Commercial Services activities.
- **Farm Service Agency and Rural Development Legislative Restriction Continues**—The Consolidated Appropriations Act of 2008 prohibits funds to be used to study, complete a study of, or enter into a contract with a private party to execute a commercial services activity with the Secretary of Agriculture without a subsequent act of Congress. This act covers USDA support personnel relating to rural development or farm loan programs. This will require the FSA and Rural Development (RD) to use other management improvement tools under the CSM Initiative to achieve operational efficiencies and/or savings.

Status	FINANCIAL PERFORMANCE	Progress
↔		↔

OCFO oversees USDA's financial performance. The office works with all USDA agencies and staff offices to ensure the Department's financial management reflects sound business practices. Receiving an "unqualified" financial audit opinion from an independent auditor indicates that the information reported in the financial statements is free of significant errors or misstatements. It also certifies that USDA can account for the dollars entrusted to it. The FY 2007 audit opinion was "qualified" because the independent auditors were unable to complete their review, as RD did not provide sufficient evidence to support its changes to the Single Family Housing Program cash flow model. Improvements were made to the quality and timeliness of the data provided to the auditors. OIG was able to complete its audit by November 17, 2008. USDA received a clean opinion for 2008.

OCFO led efforts to improve financial management information by helping its agencies develop and access useful and timely information. This information includes monthly financial reports, online access to real-time information and program cost reporting. By enhancing the integrity of financial and administrative data, the Department protects corporate assets and conserves scarce resources.

The Management Initiative Tracking System (MITS) is an interactive, Web-based database and management system that monitors and manages an agency's progress in implementing management initiatives. A new module was developed to integrate audit tracking processes. Data were tracked to monitor IT security and financial management weaknesses. Another module will soon be going into production to track budget data requests. MITS benefits employees and managers by reducing time, redundancy, and errors in reports and improving the timeliness of management information. This corporate performance and reporting system also improved program oversight and evaluations and increased visibility of performance and business data at USDA.

Financial Management Modernization Initiative (FMMI)—FMMI's primary objective is to improve financial management performance. It accomplishes the objective by efficiently providing agencies with a modern, core financial management system. This system complies with Federal accounting and systems standards and provides maximum support to the USDA mission. FMMI targets the replacement of FFIS and the legacy financial and program ledgers used in the Department's programs. Replacing FFIS, the core financial management system and program ledgers, with a modern, Web-based core financial management system is also expected to eliminate the need to operate and maintain many of USDA's legacy feeder systems. It would also make the financial statements data warehouse, currently required to produce timely external financial statements, obsolete.

The FMMI investment has the following key attributes:

- Integration with such existing and emerging eGovernment initiatives as eGovernment Travel Services, ePayroll, Grants.gov, and eLoans;
- Current corporate solutions for which financial results must be reflected in the budgetary and general ledger accounts of the Department (e.g., asset management and procurement);
- Program-specific systems that support the general ledger (e.g., programmatic loan systems);

- Integration with performance management and budgeting, allowing USDA to meet the PMA and Government Performance and Results Act requirements; and
- Compliance with the Federal Financial Management Improvement Act (FFMIA), including Federal financial management system requirements, applicable Federal accounting standards, and U.S. Government Standard General Ledger at the transaction level.

In FY 2008, FMMI Planning and Analysis phases were completed. The FMMI Design Phases for the USDA Corporate Configuration and FMMI Hosting Services are underway. The FMMI integration of Earned Value Management System has been certified as American National Standards Institute (ANSI) 748-A compliant.

The Managerial Cost Accounting Workgroup, led by OCFO, met to discuss accounting issues and guidance reporting requirements. Workgroup members also discussed best practices within the Department. They continue to work closely with their Chief Financial Officer (CFO) counterparts during FMMI's design and implementation to ensure that the system will meet the cost management needs of decision makers.

Eliminating/Reducing Material Weaknesses

- **Credit Reform Quality Control Processes**—The FY 2008 audit opinion on the RD financial statements audit confirmed that deficiencies in quality controls have been remediated. Additional work is needed to reduce the material weakness at the CCC. Improvements will be made in FY 2009 to ensure the timeliness and quality controls over changes made to the CCC credit reform models.
- **Unliquidated Obligations**—The assessment of test results for unliquidated obligations as of June 30, 2008, did not support downgrading this material weakness. USDA plans to develop a metric to measure agency compliance with Department guidance on review of obligations and assess additional tools needed for reviews.
- **Funds Control**—CCC needs to prepare a proposal request to replace and/or modify its non-compliant systems.
- **Information Technology**—The Department reviewed OMB Circular A-123, Appendix A assessment results for 17 general support systems and major applications. Logical access controls, physical access controls, disaster planning, and configuration management/change controls remain a material weakness for the Department as a whole based on the results of OMB Circular A-123, Appendix A, General Computer Controls testing.

USDA's plans to improve financial management include:

- Obtaining an unqualified audit opinion on its financial statements;
- Continuing to work toward eliminating all material weaknesses;
- Improving financial reporting procedures and systems; and
- Increasing the use of financial information in day-to-day decision-making.

USDA scored red for status and green for progress on the September 30, 2008, scorecard.

Actions taken by USDA in FY 2008 to achieve these results include:

- Met monthly with agency CFOs to discuss financial management policy, information systems, and quality assurance issues and initiatives. At these meetings, agencies are provided with financial indicator data to provide focus for financial reporting quality control activities;
- Improved agencies' financial performance measures, targets, and milestones as part of their efforts to expand the use of financial information for decision-making. Financial Data Integration reporting is prepared quarterly. Reporting enhancements were implemented this year to improve synchronization with MITS and PMA reporting;
- Developed significant initiatives using the Lean Six Sigma methodology (LSS). LSS originated in manufacturing industries during a time of great demand for quality and speed. One initiative OCFO developed with the Forest Service is automating the contract invoice process, the LSS Transaction Process (LSTP). This move was designed to improve efficiency and shorten the time required for issuing payments, which will save

interest. USDA completed the implementation schedule for two other LSS processes, one for grants and one for insurance payments;

- Continued its partnership with the Department of Veterans Affairs Financial Services Center in Austin, Texas, to process USDA telephone and utility bills through the Electronic Data Interchange (EDI) process. This new process will allow for the invoices to be received electronically rather than by mail in a paper invoice form. More than 250,000 bills will be processed annually through EDI; and
- Completed all in-scope cycles and results as required to implement OMB Circular A-123 Appendix A, "Internal Control over Financial Reporting." During the past 2 fiscal years, USDA identified and tracked 218 control deficiencies. Component agencies have corrected 172, or 72 percent, of the prior year's deficiencies.

Status	EXPANDING E-GOVERNMENT	Progress
↓		↔

USDA continues its commitment to leadership in Expanding Electronic Government under PMA and using IT to help respond more directly and effectively to its stakeholders. The Department implements sound and integrated enterprise architecture and manages secure IT investments that perform on schedule and within budget. USDA also participates in 31 Presidential Initiatives and Lines of Business.

- Activities for FY 2008 support the following goals:
- Provide customers with single points of access to information and shared services;
- Simplify and unify business processes spanning multiple agencies;
- Establish information and service-delivery standards; and
- Consolidate redundant IT services and systems through shared USDA or Government-wide services.

USDA scored red for status and green for progress on September 30, 2008 scorecard, as compared to yellow for status and red for progress on September 30, 2007. The status downgrade is due to an open Certification and Accreditation process finding by the OIG. The improved progress score reflects USDA's hard work in meeting its milestones for the year.

Presidential E-Government Initiatives Activities in FY 2008

- **Grants.gov**—USDA grant-making agencies have posted 125 funding opportunities on Grants.gov and received 7,704 electronic applications via Grants.gov in FY 2008. USDA continues to offer the option to apply electronically to 100 percent of its posted discretionary grants and cooperative agreements to applicants through the Web site.
- **Grants Management Line of Business**—USDA signed a letter of intent with the Department of Health and Human Services, Administration for Children and Families. By joining the consortium, USDA's 14 grant-making agencies are collaborating with the consortia members to simplify the disparate application processes, improve timely reporting and delivery of services, and allow greater coordination among the Department's service providers.
- **Information Systems Security Line of Business (ISS LoB)**—USDA leveraged Government-wide best practices in IT security through participation in the ISS LoB. USDA adopted an ISS LoB-approved cyber security awareness training course. USDA avoided significant costs of time and money by modifying an existing course rather than developing a course in order to meet the Federal standards as defined by the ISS LoB.
- **Disaster Assistance Improvement Plan**—USDA identified 10 internal programs related to disaster benefits and updated information about those programs on GovBenefits.gov. Through use of the Disaster Benefits Web site, those affected will be able obtain a list of benefits for which they may be eligible and apply for them all in one place. The Disaster Benefits Web site will be live on December 31, 2008.
- **E-Clearance**— USDA continues to meet or exceed requirements to process 95 percent or greater of background investigations through the Electronic Questionnaires for Investigations Processing system, a single electronic system that ensures compliance with government standards. USDA processed 100 percent of all National Security and Public Trust investigations for new employees in FY 2008.

Presidential Directives Activities in FY 2008

- **Homeland Security Presidential Directive (HSPD) 12**—USDA was a leader in implementation of HSPD-12 across the Federal government in FY 2008. USDA made strides internally to prepare the infrastructure necessary to support the new HSPD-12 credential, the LincPass. USDA rolled out a comprehensive plan to implement two unique methods of verifying identity (Two-Factor Authentication) processes and installed necessary hardware and software updates to enable 40 percent of targeted USDA laptops with the new security feature. USDA was at the forefront of deploying a nation-wide mobile enrollment station project that took human and technological resources to USDA employees throughout the continental United States, Alaska, Hawaii, and Guam.
- **International Trade Data System (ITDS)**—USDA is playing a leading role in designing and implementing the integrated government-wide system for the electronic collection, use, and dissemination of international trade data. ITDS will provide the framework to collect information on behalf of Federal agencies and will enable Customs and Border Protection (CBP) to more effectively assist them in enforcing regulations related to international trade. USDA agencies completed the following activities:
    - Co-located USDA Food Safety and Inspection Service agency staff with CBP at the National Targeting Center;
    - USDA implemented the Import Alert Tracking System (IATS) that enables better coordination in enforcement actions through quicker access to information collected on illegal entries;
    - Supplemented by the access to entry summary data through the acceleration of Automated Commercial Environment Portal, FSIS detected and took enforcement action on 347 shipments (3.7 million pounds) of potentially ineligible shipments that entered U.S. commerce without FSIS inspection; and
    - Initiated electronic transfer of certificate data elements from the New Zealand Food Safety Authority into the FSIS Automated Import Information System (AIIS).

USDA Shared Services Activities in FY 2008

- **AgLearn**—AgLearn now offers more than 2,300 agency-specific courses and in an average month, 20,348 employees complete 4,599 courses. USDA's Learning Management System (LMS) is now recognized as a LMS across the Federal government. Over 1.6 million courses were completed in more than 100 professional certification areas.
- **USDA eAuthentication Service**—The USDA eAuthentication Service has centralized the protection of 32 systems in FY 2008 and 284 USDA systems overall (in addition to 10 Federal systems). In a typical month, more than 95,000 employees and approximately 190,000 customers have an active eAuthentication credential. eAuthentication Service customers use their credentials for nearly 2 million authentications of personal identify and over 65 million Web site authorizations for access to protected content every month.
- **Enterprise Content Management (ECM)**—USDA agencies have leveraged the common hardware and software infrastructure of this commercial off-the-shelf product to customize and fine-tune additional modules to meet unique business needs. A current list of ECM modules and brief descriptions of their impact on USDA's business processes follows:
    - **Correspondence Management Module**—The Correspondence Management Module helps USDA employees at any organizational level manage correspondence and other documents from initial receipt through completion and archival storage. The module supports a paperless environment, eliminating document loss and reducing time required for document review and revision. Currently, there are 1,414 active users of this module and 2,154,654 documents have been created since its launch;
    - **Content Analysis Module (CAM)**—USDA is using CAM for non-correspondence applications such as viewing public comments solicited by USDA on the 2008 Farm Bill;
    - **General Use Module (GUM)**—USDA uses GUM to track documents, record actions taken, and utilize archival storage. In RD, GUM is used to track payments and tenant certifications, maintain a running case record for their accounts, and for general tasking of employees;

- **Invoice Processing Module (IPM)**—Agencies and staff offices are using the IPM to store all USDA invoices in a centralized repository. USDA plans to use the module to follow the invoices through all stages of the business process; and
- **Acquisition Management Module (AMM)**—USDA's Forest Service uses AMM to manage and document approval of acquisition requests for their procurement staff. As a result, procurement managers can track the status of these requests at any stage of the business process.

Other PMA Related Initiatives Activities in FY 2008

- **Federal Desktop Core Configuration**—USDA strengthened IT security by reducing the opportunity for hackers to access and exploit government computer systems and to reduce the threat of espionage and cyber crime by standardizing approximately 300 desktop settings on all Windows XP and Vista based computers.
- **Trusted Internet Connections (TICs)**—This initiative will improve the Federal government's security posture and incident response capability through the reduction and consolidation of external internet connections and provide centralized gateway monitoring at a select group of TIC Access Providers. USDA submitted a plan regarding consolidation of external connections based on the TIC requirements to OMB.
- **Cyber Security Scorecard Program**—The scorecard was a centerpiece in monthly briefings to USDA's management. USDA maintained an aggressive posture toward IT security in several key areas:
  - Cyber Security Assessment and Management (CSAM) Tool Migration: USDA continued monitoring the status of agency annual assessments and contacted agencies to resolve issues or provide additional training or instructions on how to document internal control testing through CSAM;
  - Cyber Security Awareness and Privacy Basics Training: More than 120,000 employees and contracted partners completed the FY 2008 ISS LoB-approved IT security training courses; and
  - Personally Identifiable Information (PII): USDA made significant progress toward better understanding and protecting PII. USDA completed a data call identifying systems containing PII throughout the Department. USDA also completed a review of all public facing Web sites for PII. USDA held a poster contest designed to increase awareness of PII and measures we can take to protect data.
- **Capital Planning and Investment Control**—USDA continues to successfully implement the Integrated IT Governance Process (IGP). IGP combines capital planning, security and privacy, enterprise architecture (EA), earned value management (EVM), and portfolio analysis to plan, manage, and control the Department's IT investment portfolio more effectively.
  - USDA provided current EVM cumulative and monthly performance data and variance analyses for projects in the major IT portfolio;
  - Expanded the EA information base to support more robust analysis used to inform and guide the decision making process. EA establishes the enterprise-wide roadmap to support the capital planning and investment control process;
  - Developed a geospatial segment architecture report detailing the "as-is" environment and began developing cost benefit and alternatives analyses as part of an effort to document all USDA geospatial information systems investments in a consolidated Unified Geospatial Environment business case; and
  - Began the initial phases of developing the human capital resource management segment architecture.

Status	PERFORMANCE IMPROVEMENT INITIATIVE	Progress
● ↔		● ↔

USDA continues to improve how it integrates performance information into its budget decisions and throughout the budget process. This integration includes the use of the Program Assessment Rating Tool (PART). PART is designed to assess and improve program performance and efficiency to achieve better results. USDA establishes its budget priorities based on the strategic goals and desired outcomes included in its strategic plan. The Department continues to improve its ability to measure performance with an emphasis on measuring gains in efficiency.

USDA plans to:

- Continue implementing Executive Order (EO) 13450: "Improving Government Program Performance;"
- Develop and improve the agencies' strategic plans, annual performance plans, and annual performance reports, and ensure the use of such information in agency budget justifications;
- Create program goals that are aggressive, realistic, and accurately measured;
- Regularly convene agency program management personnel to assess and improve program performance and efficiency; and
- Assist agency leadership in the development and use within the agency of performance measures in personnel performance appraisals, particularly those of program managers, to ensure real accountability for greater effectiveness.

USDA scored green for status and progress on the September 30, 2008, scorecard. To achieve these results the Department:

- Conducted seven PART assessments in conjunction with OMB. Of the seven PARTs, one rated "Moderately Effective," five rated "Adequate" and one rated "Results Not Demonstrated (RND)." Based on actual funding levels for FY 2008, less than three percent of funding for USDA programs is associated with programs that have PART ratings of RND. Additionally, no USDA programs scored an "Ineffective" rating;
- Created an implementation plan for the new EO and actively participated with the Performance Improvement Council;
- Worked with agencies to ensure that the specific plans and milestones developed to address PART recommendations are reasonable and detailed enough to address them fully. The Department uses the internal scorecard process to track agency progress toward meeting performance targets and addressing PART recommendations;
- Developed budget requests and made budget decisions supported by sound and thorough analysis. This analysis considered the effects of funding decisions on costs and performance. These budget decisions were presented and justified to Congress and others using performance information;
- Defined targets for improvements in performance and efficiency, and developed action plans to achieve targets. The Deputy Secretary, subcabinet, and other senior managers continue to receive and discuss the Quarterly Budget and Performance Tracking Report. They use the report to monitor progress in achieving planned performance and efficiency gains and take action where needed to ensure targets are met. All PARTed USDA programs have at least one efficiency measure that indicates programmatic strides in cost-effectiveness; and
- Continued to use the Management Initiatives Tracking System (MITS) PART module to enable more active and efficient participation by senior Department officials during the PART process. MITS also provides managers with the ability to track the implementation of PART improvement plans and achievement of performance targets.

Status		Progress
	REAL PROPERTY	
↑		↔

Executive Order 13327, "Federal Real Property Asset Management," establishes the framework for improved use and management of real property owned, leased, or managed by the Federal Government. It is USDA policy to promote the efficient and economical use of its real property assets and assure management accountability for implementing Federal real property management reforms. Based on this policy, Department agencies recognize the importance of real property resources through increased management attention, the establishment of clear goals and objectives, improved policies and levels of accountability, and other appropriate actions. As the foundation of USDA's real property asset management program, the following strategic objectives will be used for real property management improvement:

USDA Real Property Asset Management Strategic Objectives
1. Department's holdings support agency missions and strategic goals and objectives
2. Maximize facility utilization by co-locating agency operations when possible
3. Accurately inventory and describe real property assets using the Corporate Property Automated Information System
4. Use performance measures as part of the asset management decision process
5. Employ life-cycle, cost-benefit analysis in the real property decision-making process
6. Provide appropriate levels of investment
7. Eliminate unneeded assets
8. Use appropriate public and commercial benchmarks and best practices to improve asset management
9. Advance customer satisfaction
10. Provide for safe, secure, and healthy workplaces

USDA's plans include:

- Achieving a green status score by July 1, 2009;
- Updating the USDA Asset Management Plan (AMP) and accompanying agency building block plans (BBP);
- Revising interim-year targets and out-year goals for asset management performance measures;
- Assessing agency progress with completing physical inventories and data validation;
- Maintaining a comprehensive inventory and profile of agency real property and providing timely and accurate information for inclusion into the Government-wide real property inventory database;
- Ensuring continued use of the Capital Programming and Investment Process to ensure scarce resources are directed to highest priority asset needs;
- Assembling Department-wide multi-year consolidated estimated capital requirements;
- Developing agency-specific methodologies for prioritizing assets for maintenance;
- Updating the Asset Management Initiatives and Three Year Timeline document for meeting goals and objectives of the AMP and BBPs; and
- Participating in such Government-wide management vehicles as the Federal Real Property Council (FRPC). FRPC provides a forum to address critical real estate and workplace issues challenging all Federal agencies.

USDA scored yellow for status and green for progress on the September 30, 2008, scorecard.

USDA took the following actions to progress toward achieving a green status score:

- Revised the comprehensive AMP, including agency-specific BBPs, with the latest policies, practices, and procedures for maintaining property holdings in an amount and type according to agency budget and mission. The AMP presents the Department's strategic vision and plan of action for compliance with the Government-wide real property asset management initiative;
- Developed a methodology for prioritizing assets for maintenance;
- Developed a Process for Performing Condition Assessments;
- Specified the frequency for conducting condition surveys based on asset priority;
- Developed a process and requirements for establishing Operation and Maintenance Plans commensurate with the maintenance level required for the asset being managed;
- Developed a process and requirements for completing Facility Master Plans as the basis for multi-year planning;
- Assembled Department-wide multi-year consolidated estimated capital requirements;
- Developed guidance and procedures for allocating funding between capital improvement, maintenance and repair, and disposal activities;
- Assessed agency progress in meeting interim-year targets and out-year goals for asset management performance measures;
- Revised FY 2008-2010 interim-year targets and out-year goals for asset management performance measures;

- Completed an implementation plan for the Deferred Maintenance Strategy;
- Ensured that USDA agencies closed data gaps in constructed asset-level reporting and required that agencies validated and verified data accuracy;
- Maintained a comprehensive inventory and profile of agency real property and provision of timely and accurate information for inclusion into the Government-wide real property inventory database;
- Submitted a final interagency agreement between USDA and the Departments of Interior and Labor regarding Job Corps Centers; and
- Updated the Asset Management Initiatives and Three Year Timeline document for meeting goals and objectives of the AMP and BBPs. The timeline includes a list of assets for disposition and an investment prioritization list for mission critical and dependent assets.

Status	ELIMINATE IMPROPER PAYMENTS	Progress
● ↑		● ↔

The Improper Payments Information Act (IPIA) of 2002 is an initiative to identify programs susceptible to significant improper payments and reduce the amount and number of erroneous payments. The high risk program measurements and action plans are also included in the PMA under the category of "Eliminating Improper Payments." The goal of this initiative is to improve the integrity of the government's payments and the efficiency of its programs and activities.

USDA first reported on improper payments in the 2004 Performance and Accountability Report by disclosing error rates and amounts for the Food Stamp Program and the Federal Crop Insurance Corporation Program. The Department now measures and reports annually on 16 programs considered a high risk for significant improper payments. Measuring and reporting improper payments is mandatory for five of the programs under OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," USDA identified the additional 11 programs at risk of significant improper payments through the Departmental risk assessment process.

IPIA requires that agencies measure their improper payments annually, establish reduction targets and corrective action plans, and track the results annually to ensure that the corrective actions are effective. OCFO issued specific policy guidance including templates and timelines for implementing IPIA and meeting the goals of the PMA initiative. USDA continues to make progress in accurately measuring and reporting improper payments, developing and implementing corrective actions, and recovering improper payments.

USDA scored green for status and green for progress on the PMA scorecard for September 30, 2008. The Department's overall goal is to remain "green" in FY 2009.

USDA measured the 16 programs with $67.4 billion in outlays using an OMB-approved statistical sampling methodology. The measurement results estimate that the Department's improper payments totaled $4.1 billion (improper payment rate of 6.1 percent), down from the FY 2007 amount of $4.4 billion (improper payment rate of 6.1 percent). Of the estimated improper payments, $4.0 billion (5.9 percent) were due to incorrect disbursement and $151 million (0.2 percent) were due to incomplete paperwork. The estimated improper payments consisted of $3.4 billion (5.0 percent) in overpayments and $778 million (1.1 percent) in underpayments.

Seven high risk programs, representing 58 percent of $67.4 billion in high risk program outlays, reported improper payment error rates below their reduction targets. This demonstrates that improper payments are being reduced and consistent progress is being made as shown in the following FY 2008 results:

- NRCS's Farm Security and Rural Investment Program Act programs achieved an error rate of 0.00 percent which was below their reduction target of 0.40 percent;
- Forest Service's Wildland Fire Suppression Management Program achieved an error rate of 0.02 percent which was below their reduction target of 0.90 percent;

- FNS Food Stamp Program achieved an error rate of 5.64 percent which was below their reduction target of 5.80 percent. The error rate is a new historic low for the program and is the fourth consecutive year below 6 percent, long considered the standard for recognition;
- FNS' Child and Adult Care Food Program achieved an error rate of 1.56 percent which was below their reduction target of 1.64 percent;
- FSA's Marketing Assistance Loan Program achieved an error rate of 1.76 percent which was below their reduction target of 7.00 percent;
- FSA's Milk Income Loss Contract Program error rate of 0.21 percent which was below their reduction target of 2.00 percent; and
- FSA's Miscellaneous Disaster Programs error rate of 3.13 percent was below their reduction target of 5.00 percent.

FSA programs continue to make significant improvement in reducing improper payments. FSA's estimated improper payments for all seven high risk programs were $186.6 million (improper payment rate of 1.3 percent), down from $563 million (improper payment rate of 2.5 percent) for FY 2007 and down from $2.9 billion (improper payment rate of 11.2 percent) for FY 2006. To achieve these reductions, FSA implemented aggressive corrective action plans focusing on direct senior management involvement; provided agency-wide training; increased accountability at all levels; created and used checklists; enhanced program eligibility verification; eliminated automatic rollover of eligibility determination; improved documentation controls; engaged comprehensive re-examination of payment files; and increased internal controls and independent audits.

Actions taken by USDA during FY 2008 include:

- Consolidated small and similar programs together for improved focus in the risk assessment process. USDA moved from 138 programs in FY 2007, to 124 programs;
- Completed 46 risk assessments as scheduled on a 3-year cycle. No new programs were declared high risk as a result of the risk assessments;
- Recovered $138 million in improper payments, exceeding the Departmental recovery target of $68 million;
- Developed corrective actions for all high risk programs and set reduction targets and recovery targets for programs where appropriate; and
- Measured 16 programs determined to be at risk for significant improper payments by statistical or other approved methods. The results of these measurements are shown in Appendix B of this report.

USDA's plans for FY 2009 include:

- Maintaining the overall status of Green for the PMA initiative;
- Achieving results that allow one or more USDA programs being designated as no longer at high risk for significant improper payments;
- Revising sampling methodologies to provide improper payment rates nearer the time of payment, leading to more timely corrective actions;
- Setting and meeting appropriate improper payment reduction targets;
- Setting appropriate improper payment recovery targets and meeting the targets through aggressive recovery efforts;
- Creating aggressive correction plans with measured performance that demonstrate that the documentation and internal control issues have been addressed;
- Developing and implementing policies, controls, procedures, and checklists at appropriate levels to reduce the number of improper payments;
- Providing training to field personnel and cooperative partners on the importance of key internal controls, control procedures, and the potential risks of noncompliance;
- Providing technical assistance to State agencies and cooperative partners; and
- Increasing accountability at all levels by incorporating the employee's individual results into their annual performance evaluations.

Status	IMPROVED CREDIT PROGRAM MANAGEMENT	Progress
● ↔		● ↑

Improved Credit Program Management is a new initiative under the President's Management Agenda. Beginning in FY 2006, this initiative required USDA to:

- Develop risk factors for predicting the cost of loan programs;
- Require that guaranteed lending partners have effective loan-portfolio management and loss recovery rates;
- Verify that lending partners have established quality collateral valuation processes;
- Calculate the cost of originating, servicing, and liquidating loans; and
- Comply with all relevant provisions of the Debt Collection Improvement Act.

USDA scored red for status and yellow for progress on the September 30, 2008, scorecard.

USDA's loan portfolio is approximately $100 billion in outstanding public debt. It represents nearly one-third of all debt in the Federal Government. In addition, USDA is the guarantor for another $30 billion in loans made by lending partners. The Department's mission often makes it the lender of last resort, to target borrowers at a higher risk for default.

USDA continues to improve lending policies and practices to better manage the risk to the taxpayer. The Department continually verifies that partner lenders utilize sound lending procedures and create proper collateral valuation processes. The Department persistently looks for ways to reduce the cost of servicing and liquidating loans while increasing recoveries. USDA strives to accomplish these goals while improving customer satisfaction ratings.

USDA's plans include:

- Setting goals related to reaching target borrowers and reducing deviation from risk standards;
- Setting goals to reduce the total cost of servicing and liquidating loans and improve the debt-recovery rate;
- Establishing customer satisfaction ratings that meet or exceed industry standards;
- Defining its target borrower segments clearly, regularly assessing whether its borrowers meet that definition and whether such borrowers comprise an acceptable risk that can be managed effectively;
- Establishing or verifying that partner lenders have established sound lending policies and procedures implemented in effective transaction-approval processes, loan portfolio management, and loss recovery;
- Establishing or verifying that partner lenders have created collateral valuation processes with clear policies and procedures ensuring independence in appraisals and valuations, and adequate monitoring of appraisers' quality and certification;
- Maintaining a reasonable level of risk and productivity of taxpayer cash used in lending programs through effective management information reporting. This reporting includes indicators of loan volume, exceptions to underwriting standards, concentrations of credit risk, delinquency and default rates, rating changes, problem loans and charge offs, and using such information to improve program results;
- Establishing mutually agreeable goals that can be justified by comparisons to relevant programs to control the total cost of originating, servicing, and liquidating loans to improve the rate of debt recovery; and
- Complying with all relevant provisions of the Debt Collection Improvement Act.

Actions taken by USDA in FY 2008 include:

- RD has invested in its credit estimating capacity through the development of a new credit model for Utility Loans;
- FSA has recently introduced a new forward looking credit model for its Farm Loan Programs that incorporates risk factors detailed in the President's Budget;
- USDA continues to be a leader in the Federal government in referring nearly all eligible delinquent debt to the Department of Treasury for collection. USDA referred 99.7 percent of the eligible $1.2 billion to the Treasury for collection utilizing their Offset Program; and

- USDA established Administrative Wage Garnishment (AWG) hearing procedures in 7 CFR Part 3, Debt Management, Final Rule, published in the Federal Register on January 2, 2008. AWG is an optional collection tool provided by the Debt Collection Improvement Act.

USDA is keenly aware of the pivotal role sound fiscal management plays to deliver the Department's programs to our citizens. It is important that taxpayers and customers know how resources are safeguarded and have confidence that programs and services are operating in continually more efficient ways. Through the individual leadership and collaborative efforts of USDA employees and lending partners, USDA made significant strides during this Administration in advancing the Department's impressive record of excellence in credit program management.

Status	FAITH-BASED AND COMMUNITY INITIATIVE	Progress
● ↔		● ↔

The Faith-Based and Community Initiative is working to create a more open and competitive awards process. This work helps ensure that the Federal Government partners with the best organizations to deliver the most effective services to those in need.

For years, USDA has partnered with faith-based and community organizations to help deliver food and other vital assistance to the needy. The initiative works to strengthen these existing partnerships and create new ones to extend the Department's outreach. Faith-based and community groups already work with the individuals that USDA's assistance programs serve. These groups are valuable to the Department's efforts in reaching more people with its programs and being more successful in alleviating hunger and building stronger communities.

The initiative works to:

- Promote opportunities and build the capacity of faith-based and community organizations through outreach and technical-assistance activities;
- Identify and eliminate barriers that impede the full participation of faith-based and community organizations in the Federal grants process;
- Ensure that equal treatment principles are understood at the Federal, State, and local levels of Government and, in turn, educate faith-based and community organizations receiving Federal funds on their responsibilities; and
- Develop and launch pilot programs to test new strategies and strengthen the partnership between faith-based and community organizations and the Federal Government.

USDA scored green for both status and progress on the September 30, 2008, scorecard.

Actions taken by USDA in FY 2008 to achieve these results include:

- Conducting 3,065 outreach and technical assistance activities to strengthen the ability of faith-based and community organizations to serve those in need;
- Hosting 496 educational activities for State and local Government agencies and faith-based and community groups on equal treatment principles;
- Developing additional toolkits and Web-based resources for State and local program administrators to help them learn about and expand partnerships with faith-based and community organizations;
- Updating compliance review materials to ensure continued implementation of equal treatment principles;
- Reducing barriers to access for faith-based and community organizations applying for Federal funds; and
- Creating new program partnership opportunities for faith-based and community groups.

Financial Statement Highlights

Budgetary Resources

USDA receives most of its funding from appropriations authorized by Congress and administered by the U.S. Department of the Treasury. Total budgetary resources consist of the balance at the beginning of the year, appropriations received during the year, spending authority from offsetting collections and other budgetary resources. Total budgetary resources was $172.7 billion for FY 2008 compared to $161.9 billion in FY 2007, an increase of $10.8 billion.

The unobligated balance brought forward including recoveries of prior year unpaid obligations increased $8.7 billion, budget authority net of transfers and resources temporarily not available decreased $15.9 billion and budgetary resources permanently not available increased $18.1 billion. The decrease of budget authority was primarily due to less appropriations of $5.8 billion and less borrowing authority of $8.5 billion.

	2008	2007	% Change
Total Budgetary Resources	$172,749	$161,918	7%
Obligations Incurred	$139,357	$128,954	8%
Net Outlays	$96,182	$89,950	7%

Data in millions

Obligations Incurred And Net Outlays

Obligations Incurred increased $10.4 billion in FY 2008. This increase is primarily due to a $6 billion increase at FNS for food stamps and other programs; a $2.7 billion increase at RD for credit programs; a $2 billion increase at FSA for disaster payments; a $1.7 billion increase at RMA for insurance delivery costs and underwriting gains; offset by a $4.2 billion decrease at CCC due to favorable market conditions for commodities.

Net Outlays increased $6.2 billion in FY 2008, primarily in relation to the increase in obligations described above.

Balance Sheet

CONDENSED BALANCE SHEET DATA

AS OF SEPTEMBER 30, 2008 AND 2007 (IN MILLIONS)

	FY 2008	FY 2007	% CHANGE
Fund Balance with Treasury	$64,595	$47,340	36%
Accounts Receivable, Net	10,298	9,218	12%
Direct Loan and Loan Guarantees, Net	81,774	80,348	2%
General Property, Plant and Equipment, Net	2,973	4,931	-40%
Other	733	651	13%
Total Assets	160,373	142,488	13%
Debt	77,577	75,101	3%
Loan Guarantee Liability	1,333	1,258	6%
Benefits Due and Payable	2,764	2,854	-3%
Other	39,298	35,568	10%
Total Liabilities	120,972	114,781	5%
Unexpended Appropriations	30,783	30,937	0%
Cumulative Results of Operations	8,618	-3,230	-367%
Total Net Position	39,401	27,707	42%
Total Liabilities and Net Position	$160,373	$142,488	13%

Total Assets

Total assets increased $17.9 billion in FY 2008. This increase is primarily due to an increase in Fund Balance with Treasury for 30 percent of customs duties at AMS of $14.9 billion; an increase in accounts receivable at RMA of $1.2 billion for premiums due as a result of higher commodity prices; and the write-off of $2 billion in road prism costs at the FS.

Direct Loan and Loan Guarantees, Net is the single largest asset on the USDA Balance Sheet. RD offers both direct and guaranteed loan products for rural housing and rural business infrastructure. These represent 85 percent of the total USDA loan programs. Loan programs administered by the FSA represent 8 percent of the total. FSA provides support to farmers who are temporarily unable to obtain private, commercial credit. The remaining 7 percent represents commodity loans and credit programs administered by CCC. CCC's loans are used to improve economic stability and provide an adequate supply of agricultural commodities. CCC credit programs provide foreign food assistance, expand foreign markets and provide domestic low-cost financing to protect farm income and prices.

Total Liabilities

Total liabilities increased $6.2 billion in FY 2008. This increase is primarily due to a $2.5 billion increase in Debt and a $2.9 billion increase at RMA for estimated underwriting gains and indemnities.

Debt represents amounts owed to Treasury primarily by CCC and RD. For CCC, the debt primarily represents financing to support Direct and Counter Cyclical, Crop Disaster and Loan Deficiency programs. For RD, the debt primarily represents financing to support Single and Multi Family Housing loan programs.

Total Net Position

Total net position increased $11.7 billion in FY 2008. This increase is primarily due to an increase in cumulative results of operations at AMS of $13.6 billion for 30 percent of customs duties and a decrease of $2 billion at the FS for road prisms, both considered changes in accounting principles.

Net Cost of Operations

CONDENSED STATEMENT OF NET COST

For the Years Ended September 30, 2008 and 2007
(in millions)

	FY 2008	FY 2007	% CHANGE
Goal 1: Enhance International Competitiveness of American Agriculture	$2,029	$1,484	37%
Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies	17,159	15,099	14%
Goal 3: Support Increased Economic Opportunities and Improved Quality of Life in Rural America	3,879	2,202	76%
Goal 4: Enhance Protection and Safety of the Nation's Agriculture and Food Supply	2,439	2,509	-3%
Goal 5: Improve the Nation's Nutrition and Health	60,132	53,948	11%
Goal 6: Protect and Enhance the Nation's Natural Resource Base and Environment	11,095	11,079	0%
Net Cost of Operations	$96,733	$86,321	12%

Net Cost of Operations

Net cost of operations increased $10.4 billion in FY 2008. This increase is primarily due to increased participation and higer food costs in the food stamps and other programs at FNS of $6 billion; less revenue earned at CCC of $3 billion because of favorable market conditions for commodities; and a $1 billion increase at RD for credit programs.

Statement of Assurance

The Department of Agriculture's (USDA) management is responsible for establishing and maintaining effective management control, financial management systems, and internal control over financial reporting that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). USDA provides a qualified statement of assurance that management control, financial management systems, and internal controls over financial reporting meet the objectives of FMFIA, with the exception of three material weaknesses and one financial system non-conformance. The details of the exceptions are provided in the FMFIA and the Federal Financial Management Improvement Act (FFMIA) sections of this report.

USDA conducted its assessment of the financial management systems and internal control over 1) the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2008, and 2) financial reporting as of June 30, 2008, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of OMB Circular A-123, "Management's Responsibility for Internal Control." Based on the results of these evaluations, USDA reduced its existing material weaknesses under financial reporting from four to three. USDA eliminated the duplicate reporting of "Funds Control Management" under Section 2 and 4 of FMFIA. Funds Control Management is now reported only under Section 4 in FMFIA. Therefore, a total of three material weaknesses and one system non-conformance is reported in Fiscal Year (FY) 2008.

Other than the exceptions noted in the FMFIA and FFMIA sections, financial management systems conform substantially with the objectives of FMFIA and the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal control over 1) the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2008; and 2) financial reporting as of June 30, 2008. However, Department management reported in FY 2008 on prior year violations of the Anti-Deficiency Act that were not considered chronic or significant. The violations related to restrictions on the use of funds to combat forest fires and costs for donated food commodities.

Ed Schafer

Edward T. Schafer
Secretary
November 17, 2008

Federal Managers' Financial Integrity Act Report on Management Control

Background

The Federal Managers' Financial Integrity Act (FMFIA) requires ongoing evaluations of internal control and financial management systems. These evaluations lead to an annual statement of assurance by the agency head that:

- Obligations and costs comply with applicable laws and regulations;
- Federal assets are safeguarded against fraud, waste, and mismanagement;
- Transactions are accounted for and properly recorded; and
- Financial management systems conform to standards, principles, and other requirements to ensure that Federal managers have timely, relevant, and consistent financial information for decision-making purposes.

FMFIA also authorizes the Office of Management and Budget (OMB), in consultation with the Government Accountability Office (GAO), to periodically establish and revise the guidance to be used by Federal agencies in executing the law.

In addition to FMFIA, the Federal Information Security Management Act (FISMA) requires agencies to report any significant deficiency in information security policy, procedure, or practice identified (in agency reporting):

- As a material weakness in reporting under FMFIA; and
- If relating to financial management systems, as an instance of a lack of substantial compliance under FFMIA. (See the FFMIA Report on Financial Management Systems.)
- USDA conducts its annual evaluation of internal controls over financial reporting in accordance with OMB Circular A-123, "Management's Responsibility for Internal Control," Appendix A. Assessment results are reviewed and analyzed by the USDA Senior Assessment Team. Final assessment results are reviewed and approved by the Senior Management Control Council.

The Department operates a comprehensive internal control program to ensure compliance with FMFIA requirements and other laws and OMB Circulars A–123, Appendix A, and A–127, "Financial Management Systems." All USDA managers must ensure that their programs operate efficiently and effectively and comply with relevant laws. They must also ensure that financial management systems conform to applicable laws, standards, principles, and related requirements. In conjunction with OIG and GAO, USDA management works aggressively to determine the root causes of its material weaknesses to promptly and efficiently correct them.

USDA remains committed to reducing and eliminating the risks associated with its deficiencies, and efficiently and effectively operating its programs in compliance with FMFIA.

FY 2008 Results

In FY 2007, USDA reported four material weaknesses: Information Technology, Funds Control Management, Financial Reporting/Unliquidated Obligations and Financial Reporting/Credit Reform. The Department is eliminating the duplicate reporting of Funds Control Management as a material weakness under Section 2 and a financial system non-conformance under Section 4 of FMFIA. USDA is now reporting the Funds Control Material Weakness under FMFIA Section 4 only to comply with OMB Circular A-136, "Financial Reporting Requirements." Progress has been made regarding quality control over credit reform models although more work is needed at the Commodity Credit Corporation to improve the timeliness and controls over model changes. The Department now has three material weaknesses and one financial system non-conformance. Thus, the "Secretary's Statement of Assurance" provides qualified assurance that USDA's system of internal control complies with FMFIA objectives. The following exhibit summarizes the results reported in USDA's Consolidated Financial Statement Audit Report.

Exhibit 4: Summary of Financial Statement Audit

Audit Opinion	Unqualified					
Restatement	No					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Improvements Needed in Overall Financial Management	1					1
Improvements Needed in Information TechnologyTechnology Security and Controls	1					1
TOTAL MATERIAL WEAKNESSES	**2**					**2**

The following exhibit provides a listing of USDA's material weaknesses and the financial system non-conformance as related to the management's assurance for FMFIA and the certification for FFMIA.

Exhibit 5: Summary of Management Assurances

Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Qualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Information Technology	1					1
Funds Control Management	1			√		0
Financial Reporting – Unliquidated Obligations	1					1
Financial Reporting – Credit Reform	1					1
TOTAL MATERIAL WEAKNESSES	4			1		3
Effectiveness of Internal Control Over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
TOTAL MATERIAL WEAKNESSES	0					0
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Qualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Funds Control Management	1					1
TOTAL NON-CONFORMANCE	1					1

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	No	No
1. System Requirements	No	
2. Accounting Standards	No	
3. United States Standard General Ledger at Transaction Level	No	
4. Information security policies, procedures, and practices	No	

Material Weaknesses Consolidated

USDA consolidated one of its four prior-year material weaknesses in FY 2008.

Funds Control Management—This material weakness, identified in FY 2004, results from the inability of CCC's legacy financial systems to capture obligations at the transaction level. USDA categorized this deficiency as both a material internal control weakness and a financial system non-conformance in FY 2007. Consistent with the reporting requirements of OMB Circular A-136, "Financial Reporting Requirements," the funds control weakness is now reported under FMFIA Section 4 only.

Commodity Credit Corporation—Prepared a request for proposal to replace and/or modify non-compliant systems and fund systems acquisition and development in FY 2009.

Summary of Outstanding Material Weaknesses

Material Weakness Existing	1. USDA Information Technology	Overall Estimated Completion Date	FY 2009
	Internal control design and operating effectiveness deficiencies in four areas: software change control, disaster recovery, logical access controls, and physical access that aggregate to an overall IT material weakness.		

FY 2008 Accomplishments:	FY 2009 Planned Actions:
• Standardized and streamlined FISMA and A-123 testing by implementing NIST baseline security control objectives; • Fully implemented CSAM system throughout USDA; • Executed internal control education plan for all levels and agencies throughout USDA; • Demonstrated substantial remediation progress in each of the 4 areas contributing to the material weakness by completing 64 percent of the corrective actions identified in 2007; • Monitored agency progress through the Information Technology Executive Steering Committee; • Chartered an Account Management Work Group tasked with providing departmental oversight on system logical access issues; • Completed revisions to the security awareness training policy, the disaster recovery planning guidelines, scanning and patching requirements, and the incident response policy and procedures to align with current NIST and OMB guidance; • Reviewed Configuration Management Plans for NIST compliance during the concurrency reviews of Certification and Accreditation documentation; • Reviewed and validated selected USDA agency network/system patching reports; • Reviewed USDA agency's contingency plans for completeness and compliance with NIST and Department guidelines; and • Updated and issued guidance on the preparation of Disaster Recovery plans.	• Continue monitoring progress through the Information Technology Executive Steering Committee; • Integrate the A-123 process with the FISMA monitoring and reporting process to streamline documentation and reporting; • Develop baseline of inherited controls provided by service center providers to assess their impact on the assurance of the service center agencies; • Conduct reviews of POA&M closure and control testing documentation and monitor progress using scorecard and the CSAM; • Initiate policy gap analysis and revise the Access Control and Configuration Management policies and procedures; • Publish revised policy and procedures for Access Control; • Publish revised policy and procedures on Continuity Planning; • Update regulations to meet the NIST and other Federal requirements relating to Change Control processes; • Review configuration management guidance and update; • Test all USDA agencies' Continuity of Operations plans; • Monitor USDA agencies' compliance with disaster recovery plan testing requirements through the Cyber Security Scorecard, Certification and Accreditation concurrency review process, and CSAM; and • Continue to review and validate selected USDA agency network/system patching reports.

Material Weakness Existing	2. Financial Reporting – Unliquidated Obligations	Overall Estimated Completion Date	FY 2009
	Lack of consistent review and follow-up on unliquidated obligations.		

FY 2008 Accomplishments:	FY 2009 Planned Actions:
• Increased breadth of testing to better understand the scope and root cause of this weakness.	• Develop a metric and performance standard to measure component agency compliance with Departmental guidance; • Assess the need for additional tools to assist component agencies in performing and adequately documenting the results of periodic reviews; • Revise Departmental guidance to require quarterly reviews and certifications for obligations more than 1 year old. • Perform compliance monitoring on a sampling of obligation reviews and the related obligations to ensure that justifications are adequate and obligations are removed timely; and • Monitor component agency activities to remediate this deficiency.

Material Weakness Existing	3. Financial Reporting – Credit Reform	Overall Estimated Completion Date	FY 2009
	Controls are lacking in the credit reform quality assurance process to ensure that cash flow models, data inputs, estimates, and reestimates are subject to appropriate management oversight.		

FY 2008 Accomplishments:	FY 2009 Planned Actions:
• RD developed and implemented standard operating procedures for model changes, data extracts, and re-estimates to improve quality assurance for credit program management; • CCC provided training to personnel working with the direct credit and credit guarantee programs to enhance the collective departmental expertise in performing calculations and conducting effective management reviews; and • CCC created a specific policy for reviewing and implementing changes to ensure that further cash-flow model enhancements are adequately reviewed and approved.	CCC will: • Establish a team to review all model changes to include members of both the budget and the accounting disciplines. OIG will be invited to all Configuration Control Board meetings to monitor CCC's efforts; • Establish a timeline for all model changes that will allow adequate time for test and review prior to delivery to the auditors; • Test all model changes/development results to ensure that model outputs properly capture all elements of the cash flow, not just those affected by the change(s) in OMB's Credit Subsidy Calculator 2 to ensure that those results do not produce unintended consequences; and • Procure a contractor for Independent Verification and Validation review and oversight for any newly developed models. USDA will: • Reinstitute Credit Reform Working Group to improve communication and coordination of model changes.

Summary of Outstanding System Non-Conformance

System Non-Conformance Existing	1. Funds Control Management	Overall Estimated Completion Date	FY 2012
	System improvements needed in recording obligations at the transactions level.		

FY 2008 Accomplishments:	FY 2009 Planned Actions:
• Documented CCC obligations business events and developed solutions for providing pre-authorization of funds; and • Developed functionality to capture obligations within current financial system.	• Migrate to USDA's enterprise solution under FMMI; and • Develop functionality to do funds control at the time of obligation request from program applications.

Federal Financial Management Improvement Act Report on Financial Management Systems

Background

FFMIA is designed to improve financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of Federal programs. FFMIA requires that financial management systems provide reliable, consistent disclosure of financial data in accordance with Generally Accepted Accounting Principles and standards. These systems must also comply substantially with: (1) Federal Financial Management System requirements; (2) applicable Federal Accounting Standards; and (3) the Standard General Ledger at the transaction level. Additionally, FISMA requires that there be no significant weaknesses in information security policies, procedures or practices to be substantially compliant with FFMIA (referred to as Section 4 in the accompanying table).

Exhibit 6: Initiatives To Be Completed

Outstanding Initiatives to Achieve FFMIA Compliance			
Initiative	Section of Non-compliance	Agency	Target Completion Date
Information Technology[1]	Sections 1 and 4	Multiple	9/30/2009
Funds Control Management	Section 1 Sections 1 and 3 Sections 1, 2 and 3	CCC FS NRCS	9/30/2012 12/31/2008 9/30/2009

Sections:

FFMIA:
1 – Federal Financial Management System requirements.
2 – Federal Accounting Standards
3 – Standard general ledger at the transaction level.

FISMA:
4 – Information Security Policies, Procedures, or Practices.

[1] The information technology material weakness, which is reported in the Federal Managers' Financial Integrity Act Report on Management Control, is comprised of four issues: Software Change Control; Disaster Recovery; Logical Access Controls; and Physical Access Controls.

FY 2008 Results

During FY 2008, USDA evaluated its financial management systems to assess substantial compliance with the Act. In assessing FFMIA compliance, USDA considered all the information available. This information included the auditor's opinions on component agencies' financial statements, the work of independent contractors and progress made in addressing the material weaknesses identified in the *FY 2007 Performance and Accountability Report* – Systems, Controls, and Legal Compliance section. The Department is not compliant with Federal Financial Management System requirements, Federal accounting standards, and the standard general ledger at the transaction level. Additionally, as reported in the FMFIA section of this report, USDA continues to have weaknesses in information technology controls that result in non-compliance with the FISMA requirement. As part of the financial systems strategy, USDA agencies continue to work to meet FFMIA and FISMA objectives. The Information Technology Executive Steering Committee continues to monitor the correction of information technology weaknesses in USDA's financial systems. While the Department made substantial progress in addressing its information technology weakness, more work is needed to comply substantially with the Act's requirements. The description of the corrective actions taken to address the information technology, financial accounting and reporting, and funds control initiatives reported in FY 2008 are included in the FMFIA section of this report.

Auditor-identified deficiencies at the Forest Service related to the requirement to record obligations in the standard general ledger at the transaction level were identified in FY 2007. Transactions were not obligated as required by appropriation law prior to payment. The transactions include temporary travel, grants, and other recurring utility type transactions. Posting models were needed at the transaction level to accommodate transfers of stewardship land acquisitions and record exchange review transactions to the proper general ledger accounts. Corrective action to implement the posting model for stewardship land acquisitions was completed in FY 2008. Other corrective actions for recording obligations are not scheduled to be completed by FS until FY 2009. NRCS is developing corrective action plans to address auditor-identified deficiencies: financial management systems did not substantially comply with Federal Financial Management System Requirements, the United States Standard General Ledger, and applicable Federal Accounting Standards for internal use software (including work in progress), undelivered orders, unfilled customer orders, expense accruals, and capital leases. Deficiencies were also noted regarding proper use of the United States Standard General Ledger.

The financial management system non-compliance portion of the CCC FY 2007 Funds Control material weakness is now being reported under FFMIA. While additional work remains, CCC is implementing a funds control system to remediate the financial system noncompliance.

Federal Financial Management System Requirements/Funds Control Management

CCC continued to develop a fully integrated funds control system within the financial management system that can interface with CCC's general ledger system at the transaction level. The system will also provide management with timely information to periodically monitor and control the status of budgetary resources recorded in the general ledger. FY 2008 accomplishments include:

- Developed the to-be process design;
- Prepared a request for proposal for replacement and/or modification of non-compliant processing systems;
- Documented CCC obligation business events and develop solutions for providing pre-authorization of funds;
- Prepared system requirements documentation to current FSA financial applications to accept obligation transactions; and
- Developed functionality to capture obligations within current FSA financial systems.

In FY 2009, CCC will:

- Develop functionality to do funds control at the time of obligation request from program applications.

In FY 2012, CCC will:

- Complete software modifications to program applications to send Obligation Transactions for Farm Programs, Farm Loan Programs, Foreign Programs, and Commodity Programs; and
- Select and implement software package.

Inspector General Act Amendments of 1988: Management's Report on Audit Follow-Up

Background

OIG audits USDA's programs, systems, and operations. OIG then recommends improvements to management based on its findings. USDA management may agree or disagree with the audit's findings or recommendations. An agreement is reached during the management-decision process. If management agrees with a recommendation, a written plan for corrective action with a target completion date is developed. The plan is then submitted to OIG for its concurrence. If both OIG and management agree that the proposed corrective action will correct the weakness, management decision is achieved for that recommendation.

Audit follow-up ensures that prompt and responsive action is taken. USDA's OCFO oversees audit follow-up for the Department. An audit remains open until all corrective actions for each recommendation are completed. As agencies complete planned corrective actions and submit closure documentation, OCFO reviews it for sufficiency and determines if final action is completed.

FY 2008 Results

Exhibit 7: Decrease in Total Open Audit Inventory

Note: The FY 2007 ending balance was revised from 154 to 167 to include 13 audits that reached management decision in September 2007. These adjustments are also reflected in the beginning balances for audits with disallowed costs and funds to be put to better use shown in Exhibit 9 and Exhibit 11.

USDA agencies closed 58 audits in FY 2008. The Department's current inventory of audits that have reached management decision and require final action to close totals 150. This figure includes 41 new audits in FY 2008. One of these audits is in appeal status. As shown in the accompanying exhibit, the Department continued to reduce its inventory of open audits in FY 2008. This is a 27 percent decrease since FY 2004.

Audit Follow-Up Process

The Inspector General Act Amendments of 1988 require an annual report to Congress providing the status of resolved audits that remain open. Reports on resolved audits must include the elements listed in the first three of the accompanying bullets:

- Beginning and ending balances for the number of audit reports and dollar value of disallowed costs and funds to be put to better use (see definitions below);
- The number of new management decisions reached;
- The disposition of audits with final action (see definition below);
- Resolved audits that remain open 1 year or more past the management decision date require an additional reporting element; and
- The date issued, dollar value, and an explanation of why final action has not been taken. For audits in formal administrative appeal or awaiting a legislative solution, reporting may be limited to the number of affected audits.

Exhibit 8: Audit Follow-Up Definitions

Term	Definition
Disallowed Cost	An incurred cost questioned by OIG that management has agreed should not be chargeable to the Government.
Final Action	The completion of all actions that management has concluded is necessary in its management decision with respect to the findings and recommendations included in an audit report. In the event that management concludes no action is necessary, final action occurs when a management decision is accomplished.
Funds To Be Put to Better Use (FTBU)	An OIG recommendation that funds could be used more efficiently if management took actions to implement and complete the recommendation, including: • Reductions in outlays; • De-obligation of funds from programs or operations; • Withdrawal of interest subsidy costs on loans or loan guarantees, insurance or bonds; • Costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; • Avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or • Any other savings which are identified specifically.
Management Decision	Management's evaluation of the audit findings and recommendations and the issuance of a final decision on corrective action agreed to by management and OIG concerning its response to the findings and recommendations.

OCFO works with component agencies and OIG to identify and resolve issues that affect the timely completion of corrective actions. USDA agencies are required to prepare combined, time-phased implementation plans and interim progress reports for all audits that remain open one or more years beyond the management decision date. Time-phased implementation plans are updated and submitted at the end of each quarter. They are updated to include newly reported audits that meet the 1-year-past-management decision criterion. These plans contain corrective action milestones for each recommendation and corresponding estimated completion dates.

Quarterly interim progress reports are provided to OCFO on the status of corrective action milestones listed in the time-phased implementation plan. These reports show incremental progress toward the completion of planned actions; changes in planned actions, actual or revised completion dates; and explanations for any revised dates.

The Department implemented an online, Web-based Audit Tracking Module (ATM) to improve the audit tracking and management processes. The ATM was designed to 1) make the tracking process more efficient and easier to manage; and 2) ensure that appropriate management and functional-level officials and staff have real-time accurate information. It also allows for efficient coordination between USDA agencies, OCFO, and OIG.

Beginning and Ending Inventory for Audits with Disallowed Costs (DC) and Funds to Be Put to Better Use (FTBU)[1]

Exhibit 9: Inventory of Audits with Disallowed Costs[1]

Audits with Disallowed Costs	# of Audits	Amount ($)
Beginning of the Period	57	107,132,672
Plus: New Management Decisions	11	31,163,685
Total Audits Pending Collection of Disallowed Costs	68	138,296,357
Adjustments		45,830,245
Revised Subtotal		92,466,112
Less: Final Actions (Recoveries)*	24	(16,467,492)
OIG adjustment change in code	-1	31,856
Audits with DC Requiring Final Action at the End of the Period	43	75,966,764

*Recoveries do not include $338,852 interest collected.

Exhibit 10: Distribution of Adjustments to Disallowed Costs

Category	Amount ($)
Changes in Management Decision	354,875
Agency Appeals	1,123,163
Write-Offs	4,981,042
Agency Documentation	39,878,164
Agency Discovery	-506,999
Total	**45,830,245**

Exhibit 11: Inventory of Audits with Funds To Be Put to Better Use[1]

Audits with Funds to be Put to Better Use	# of Audits	Amount ($)
Beginning of the Period	26	81,969,496
Plus: New Management Decisions	4	450,419,813
Total Audits Pending	30	532,389,309
Less: Final Actions	12	61,983,775
Audits with FTBU Requiring Final Action at the End of the Period	18	470,405,534
Disposition of Funds to Be Put to Better Use:		
FTBU Implemented		61,767,897
FTBU Not Implemented		215,878
Total FTBU Amounts for Final Action Audits		61,983,775

[1] Exhibit 9 and Exhibit 11 include only those open audits with disallowed costs and funds to be put to better use, respectively. Additionally, some audits contain both DC and FTBU amounts. For these reasons, the number of audits shown as the ending balances in Exhibit 9 and Exhibit 11 does not equal the total resolved audit inventory balance in Exhibit 7.

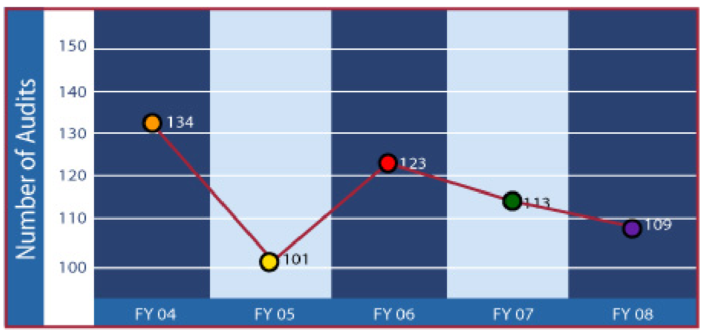
Of the 58 audits that achieved final action during the fiscal year, 24 contained DCs. The number of DC audits remaining in the inventory at the end of the fiscal year is 43 with a monetary value of $75,966,764.

For audits with disallowed costs that achieved final action in FY 2008, OIG and management agreed to collect $62,297,737. Adjustments were made totaling $45,830,245 (74 percent of the total) because of: 1) changes in management decision; 2) agency appeals; 3) write-offs; 4) USDA agencies' ability to provide sufficient documentation to substantiate disallowed costs; and 5) agency discovery. Management recovered the remaining $16,467,492.

Final action occurred on 12 audits that involved FTBU amounts. USDA projects more efficient use for 99.7 percent of the amount identified based on the corrective actions implemented. The number of FTBU audits remaining in the inventory to date is 18 with a monetary value of $470,405,534.

Audits Open One or More Years Past the Management Decision Date

Exhibit 12: Decrease in Audits Open One or More Years Past Management Decision Date



The number of audits open 1 or more years without final action decreased from 113 to 109 audits. USDA agencies continue to pursue compensating controls that address many of the underlying issues identified in these older audits.

Five audits are proceeding as scheduled and 81 are behind schedule. Agencies have completed all planned corrective actions on 23 audits that are pending collection of associated disallowed costs. This represents a 30-percent decrease in FY 2008. While an additional six audits were scheduled for completion by September 30, 2008, final action documentation was not evaluated during this reporting period.

Audits without final action 1 year or more past the management decision date and behind schedule are listed individually in the table that follows. They are categorized by the reason final action has not occurred. More detailed information on audits on schedule and audits under collection is available from OCFO.

The categories are pending the following activities:

- Issuance of policy/guidance;
- Conclusion of investigation, negotiation, or administrative appeal;
- Completion of IT system security weaknesses, systems development, implementation, reconciliation, or enhancement;
- Results of internal monitoring or program review;
- Results of agency request for change in management decision;
- Office of the General Counsel or OIG advice; and
- Administrative action.

Exhibit 13: Distribution of Audits Open 1 Year or More Past the Management Decision Date, Disallowed Costs, and FTBU

	Audits On Schedule			Audits Behind Schedule			Audits Under Collection		
Agency	No.	DC ($)	FTBU ($)	No.	DC ($)	FTBU ($)	No.	DC ($)	FTBU ($)
Totals	**5**	**0**	**0**	**81**	**5,446,818**	**31,337,973**	**23**	**38,837,011**	**13,180,422**

Management's Report on Audit Follow-Up

Exhibit 14: Audits Open 1 Year or More Past the Management Decision Date and Behind Schedule

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount	
				DC	FTBU
(35) Pending issuance of policy/guidance					
02601-1-CH	9/30/05	12/31/08	Agricultural Research Service Adequacy of Controls to Prevent the Improper Transfer of Sensitive Technology Force	-	-
03601-11-AT	11/17/05	4/30/09	Minority Participation in Farm Service Agency's Programs	-	-
04004-3-AT	6/26/03	10/31/08	Rural Housing Service, Rural Rental Program, Tenant Income Verification – Gainesville, Florida	$134,639	$3,183,305
04099-339-AT	3/23/05	12/31/08	Rural Housing Service Subsidy Payment Accuracy in Multi-Family Housing Program	-	-
08001-1-AT	4/19/07	12/31/08	Forest Service Implementation of the Capital Improvement Program	-	-
08601-38-SF	9/23/04	12/31/08	Forest Service Firefighting Safety Program	-	-
08601-41-SF	1/13/06	12/31/08	Forest Service Collaborative Ventures and Partnerships with Non-Federal Entities	$37,890	-
08601-44-SF	12/7/06	12/31/08	Forest Service Large Fire Suppression Cost		
10099-10-KC	09/30/03	3/31/09	Natural Resources Conservation Service Protection of Federal Assets	-	-
24501-1-FM	11/24/04	10/31/09	Food Safety and Inspection Service Application Controls - Performance Based Inspection Service System	-	-
24601-1-CH	06/21/00	12/31/08	Food Safety and Inspection Service Laboratory Testing of Meat and Poultry Products	-	-
24601-2-HY	6/9/04	10/31/09	Food Safety and Inspection Service Oversight of the *Listeria* Outbreak in the Northeastern United States.	-	-
24601-6-CH	3/15/06	10/31/08	Food Safety and Inspection Service's In-Plant Performance System	-	-
24601-7-CH	9/28/06	10/31/08	Food Safety and Inpsection Service Review of Pathogen Reduction Enforcement Program Sampling Procedures	-	-
27601-3-CH	03/22/96	09/30/09	Food and Consumer Service Food Stamp Program—Disqualified Recipient System – Alexandria, Virginia	-	-
27601-27-CH	04/30/02	10/31/08	Food and Nutrition Service National School Lunch Program Food Service Management Companies	-	-
33099-5-CH	4/20/05	9/30/08	Animal and Plant Health Inspection Service National Cooperative State/Federal *Bovine Tuberculosis* Eradication Program	-	-
33099-11-HY	6/12/06	12/31/08	Animal and Plant Health Inspection Service Oversight of *Avian Influenza*	-	-
33601-2-AT	6/23/05	12/31/08	Animal and Plant Health Inspection Service Evaluation of the Implementation of the Select Agents or Toxins Regulations (Phase 1)	-	-
34099-2-AT	09/14/01	12/31/08	Rural Development Rural Business-Cooperative Service Business and Industry Loan Program, OMNIVEST Resources, Inc. – Fort Gaines, Georgia	$4,052,351	-
34601-1-HY	07/22/98	12/31/08	Rural Development Business and Industry Loan Program—Morgantown, West Virginia	-	-

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount	
				DC	FTBU
34601-3-CH	03/11/03	12/31/08	Rural Development Processing of Loan Guarantees to Members of the Western Sugar Cooperative	-	-
34601-7-SF	12/04/02	12/31/08	Rural Development Liquidation of a Business and Industry Guaranteed Loan Washington State	-	$14,000,000
34601-8-SF	9/30/03	12/31/08	Rural Development Liquidation of Business and Industry Guaranteed Loans	$45,246	$598,112
34601-15-TE	09/30/03	12/31/08	Rural Development Rural Business-Cooperative Service National Report on the Business and Industry Loan Program	-	-
50601-2-HY	9/9/05	11/30/08	Departmental Administration Review of Management Oversight of Federal Employees' Compensation Act Operations within the U.S. Department of Agriculture	-	-
50601-6-TE	03/04/04	12/30/08	Agricultural Research Service Controls Over Plant Variety Protection and Germplasm Storage	-	-
50601-9-AT	3/24/04	12/31/08	Departmental Administration Controls Over Chemical and Radioactive Materials at U.S. Department of Agriculture Facilities	-	-
50601-10-AT	3/8/04	12/31/08	Homeland Security Follow-up Report on the Security of Biological Agents at U.S. Department of Agriculture Laboratories	-	-
50801-12-AT	9/9/02	11/30/08	Departmental Adminstration Management of Hazardous Materials Management Funds	-	$1,813,809
60801-1-HQ	9/30/98	6/30/09	Evaluation of the Office of Civil Rights' Efforts to Reduce the Backlog of Program Complaints	-	-
60801-3-HQ	3/10/00	6/30/09	Office of Civil Rights Management of Employment Complaints	-	-
60801-4-HQ	3/10/00	9/30/09	Office of Civil Rights Status of the Implementation of Recommendations Made in Prior Evaluations of Program Complaints	-	-
89017-1-HY	3/1/07	10/31/08	Office of Procurement and Property Management Review of Acquisition Planning and Processing	-	-
(1) Pending conclusion of investigation, negotiation or administrative appeal					
04801-3-KC	03/31/99	10/31/08	Rural Housing Service – Rural Rental Housing Program Bosley Management, Incorporated – Sheridan, Wyoming	$146,690	$85,516
(21) Pending completion of IT system security weaknesses, systems development, implementation, or enhancement					
04601-14-CH	3/20/07	12/31/08	Improper Payments - Monitoring the Progress of Corrective Action for High-Risk Programs in Rural Housing Service	-	-
06401-17-FM	11/5/04	09/30/09	Commodity Credit Corporations' Financial Statements for Fiscal Years 2004 and 2003	-	-
08401-2-FM	02/28/03	10/31/08	Forest Service's Financial Statements for Fiscal Year 2002 – Summary of Information Technology Findings	-	-
08401-4-FM	11/10/04	12/31/08	Forest Service's Financial Statements for Fiscal Years 2004 and 2003	-	-
08401-6-FM	11/24/06	12/31/08	Forest Service's Financial Statements for Fiscal Years 2005 and 2004	-	-
08401-7-FM	2/27/08	12/31/08	Forest Service's Financial Statements for Fiscal Years 2006 and 2005	-	-

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount	
				DC	FTBU
08601-2-HY	12/22/06	3/31/09	Forest Service Follow up on Recommendations Made on the Maintenance of Forest Service Infrastructure	-	-
08601-6-AT	11/24/06	12/31/08	Forest Servcie Implementation of the Healthy Forests Initiative	-	-
08601-30-SF	03/31/03	12/31/08	Forest Service Review of Security Over Explosives/Munitions/Magazines Located Within the National Forest System	-	-
08601-40-SF	7/6/05	12/31/08	Forest Service Emergency Equipment Rental Agreements	-	-
10001-1-HY	3/20/07	3/31/09	Review of Contract Administration at the Natural Resources Conservation Service	-	-
11099-44-FM	12/14/06	11/30/08	Departmental Administration Purchase Card Management System Controls Need Strengthening	-	-
24601-3-CH	9/30/04	10/31/09	Food Safety and Inspection Service Use of Food Safety Information Systems	-	-
33002-3-SF	9/30/05	12/31/08	Animal and Plant Health Inspection Service Animal Care Program Inspection and Enforcement of Activities	-	$562,761
33501-1-CH	03/31/05	12/31/08	Animal and Plant Health Inspection Service Review of Application Controls for the Import Tracking System	-	-
33601-1-HY	2/14/05	10/31/09	Animal and Plant Health Inspection Service Oversight of the Importation of Beef Products from Canada	-	-
33601-4-CH	03/31/03	TBD	Animal and Plant Health Inspection Service Controls Over Permits to Import Biohazardous Materials into the United States	-	-
50401-59-FM	11/14/06	10/31/2008	Office of the Chief Financial Officer U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years FY 2006 and 2005	-	-
50501-4-FM	10/21/05	9/30/08	Office of the Chief Information Officer Review of the U.S. Department of Agriculture's Certification and Accreditation Efforts		
50801-2-HQ	2/27/97	3/31/09	Assistant Secretary for Civil Rights Report for the Secretary on Civil Rights Issues, Phase I	-	-
60016-01-HY	9/8/05	9/30/09	Assistant Secretary for Civil Rights Follow up on Prior Recommendations for Civil RightsProgram and Employment Complaints	-	-
(3) Pending results of internal monitoring or program review					
06401-4-KC	2/26/02	6/30/09	CCC Financial Statements for FY 2001	-	$19,586
08601-42-SF	3/14/06	12/31/08	FS Firefighting Contract Crews	-	-
08601-45-SF	8/8/06	3/31/08	FS Follow-up Review of FS Security Over Explosives/Munitions Magazines Located within the National Forest System	-	-
(6) Pending results of request for change in management decision					
03099-27-TE	5/24/01	10/01/08	FSA Payment Limitations – Majority Stockholders of Corporations	-	-
08099-6-SF	03/27/01	09/30/08	FS Security Over USDA Information Technology Resources	-	-
08003-5-SF	12/15/00	09/30/08	FS Land Acquisitions and Urban Lot Management Program	-	$10,329,300

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount	
				DC	FTBU
33601-7-CH	8/14/07	12/31/08	APHIS Review of Customs and Border Protection Inspection Activities	-	-
50601-9-CH	9/28/06	12/31/08	APHIS Control Over the *Bovine Tuberculosis* Eradication Program	-	-
50601-10-HQ	7/24/06	3/31/09	NRCS Chesapeake Bay Restoration Agricultural Impacts on Water Quality	-	-
(3) Pending Office of General Counsel (OGC) or OIG advice					
04801-6-KC	12/18/00	10/31/08	RHS Rural Rental Housing Program Insurance Expenses, Phase I	$1,029,999	$9,000
24099-1-FM	08/11/03	10/31/08	Security Over Information Technology Resources at FSIS	-	-
85401-13-FM	11/9/06	10/31/08	RD Financial Statements for FY 2006 and FY 2005	-	-
(13) Pending Administrative Action					
05099-18-KC	6/1/04	9/30/08	RMA Management and Security of Information Technology Resources	-	-
05099-109-KC	1/27/05	12/31/10	RMA Activities to Renegotiate the Standard reinsurance Agreement	-	-
05600-1-TE	09/28/89	9/30/08	RMA Crop Year 1988 Insurance Contracts with Claims	-	-
0641-15-FM	12/26/02	09/30/09	CCC Financial Statements for FY 2002	-	-
06401-21-FM	11/13/06	10/30/08	CCC Financial Statements for FY 2006	-	-
13001-3-TE	8/16/04	6/6/09	Cooperative State Research, Education, and Extension Service Implementation of Agricultural Research, Extension and Education Reform Act of 1998	$3	$482,400
23801-1-HQ	8/20/98	12/31/08	Review of Office of Operations Contract with B&G Maintenance, Incorporated – Washington, D.C.	-	$249,866
24601-8-CH	8/23/07	3/31/09	Food Safety and Inspection Service Egg Products Processing Inspection	-	-
50099-11-HY	03/31/05	12/30/08	Research Education and Economics Implementation of Federal Research Misconduct Policy in the U.S. Department of Agriculture	-	-
50099-13-AT	03/29/02	12/30/08	Multi-Agency Audit Oversight and Security of Biological Agents at Laboratories Operated by the United States Department of Agriculture	-	-
50099-17-KC	2/17/05	12/31/08	Cooperative State Research, Education, and Extension Service Biosecurity Grant Funding Controls over Biosecurity Grants Funds Usage	-	$4,318
50601-10-KC	1/25/06	10/31/09	Animal and Plant Health Inspection Service *Bovine Spongiform Encephalopathy (BSE)* Surveillance Program – Phase II and Food Safety and Inspection Service Controls Over BSE Sampling, Specified Risk Materials and Advanced Meat Recovery Products - Phase III	-	-
60801-2-HQ	3/24/99	9/30/09	Evaluation of the Office of Civil Rights Efforts to Implement Civil Rights Settlements	-	-
Total Number Audits (81)			Total	$5,446,818	$31,337,973

2 Annual Performance Report

The Department of Agriculture's (USDA) mission is to provide leadership on food, agriculture, natural resources, and related issues based on sound public policy, the best available science, and efficient management. The Department executed this mission in fiscal year (FY) 2008 through activities such as:

- Completing new free trade agreements, opening new international markets and maintaining existing markets;
- Meeting with experts from around the globe to discuss current and emerging economic opportunities;
- Providing farmers and ranchers with risk management and financial tools;
- Expanding economic opportunities by improving the quality of life through financing housing, utilities, and community facilities in rural areas;
- Ensuring the safety and protection of the Nation's food supply;
- Helping millions of low-income households and most of America's children improve their health and diets via targeted nutrition assistance programs;
- Fostering better nutrition and health with dietary guidance and promotion;
- Fighting potential pest and disease outbreaks;
- Working to ensure the health and protection of the environment; and
- Providing aid to those impacted by severe weather and other disasters.

Strategic Goal 1: Enhance International Competitiveness of American Agriculture

Expanding global markets for agricultural products will increase demand for agricultural products and contribute directly to economic stability and prosperity for America's farmers. USDA accomplishes this through negotiation, monitoring, and enforcement of trade agreements. Working with producers and commodity trade associations, USDA administers an array of market development and export promotion programs designed to build long-term markets abroad. The Department helps expand trade opportunities through technical assistance and training programs. USDA also provides food assistance programs to developing countries. These programs are designed to provide greater food security which leads to greater economic stability in the recipient countries. These tools support agricultural development and growth in developing countries. They also help these countries participate in, and benefit from, international trade. USDA works to facilitate trade by adopting and promoting science-based regulatory systems and standards. These activities are reflected in the three objectives and four performance measures that follow.

Objective 1.1: Expand and Maintain International Export Opportunities

Measure 1.1.1: Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring, and enforcement

Overview

Key Outcome
Increased Access to Global Markets for U.S. Agricultural Producers and Exporters

The Department works closely with the Office of the U.S. Trade Representative (USTR) to negotiate new trade agreements to expand access to global markets for U.S. agriculture. The largest multilateral negotiation, under the auspices of the World Trade Organization (WTO), is the Doha Development Agenda. USDA has led negotiations on the agricultural portions of the agreement. USDA played an integral role in the July 21-29, 2008, WTO Ministerial meeting in Geneva aimed at reaching a final agreement. While these meetings resulted in an impasse, primarily over the Special Safeguard Mechanism for sensitive agricultural products, Foreign Agricultural Service (FAS) officials continue to work to advance a convergence of proposals at the technical level.

To further expand global trade, U.S. officials negotiated bilateral accession agreements with countries seeking WTO membership. In 2008, USDA played a critical role in negotiating such agreements with Russia, Kazakhstan, and several other countries. The Department also helped Ukraine join the WTO in May 2008, thus opening the country to American imports, notably poultry, beef, and pork. Estimates indicate that annual beef and pork exports to Ukraine could reach $120 million.

USDA also works to expand U.S. agricultural export opportunities by supporting regional and bilateral free trade agreements. The Department continues to negotiate the Malaysia Free Trade Agreement. USDA is awaiting congressional approval of free trade agreements with Colombia, Panama, and Korea. It is also monitoring final implementation of the Peru and Costa Rica trade agreements.

The Department oversaw the full implementation of the final provisions of the North American Free Trade Agreement (NAFTA) between Canada, Mexico, and the U.S. USDA's work lifted the final trade restrictions on a handful of agricultural commodities, notably U.S. exports of corn, dry edible beans, nonfat dry milk, and high fructose corn syrup.

The Department is also monitoring and taking action with respect to more than 500 trade barriers relating to established trade agreements. Some barriers are being addressed through the WTO dispute-settlement process. Others are being addressed bilaterally. Working closely with USTR, USDA successfully re-established a tariff rate quota (TRQ) for poultry and pork trade with the Philippines in 2008. A TRQ provides an opportunity for exporting a limited quantity of products with little or no tariffs.

Analysis of Results

USDA employs a performance measure that estimates the value of trade preserved through WTO agreement enforcement, creation, and maintenance of free trade agreements and addressing trade barriers. USDA failed to meet its targeted level of performance. The July collapse of the Doha Round of WTO negotiations and delays in congressional approval of already negotiated free trade agreements were significant factors. Though USDA cannot control such externalities, in FY 2009, the Department will continue to seek approval of pending agreements. Extensively monitoring and enforcing existing trade agreements, which USDA can influence more effectively, will help the Department reach its 2009 targets.

Selected Results in Research, Extension and Statistics

China in 21st Century Agricultural Markets—USDA researches how policy and economic developments in China affect global agricultural markets. Recent research, *China Currency Appreciation Could Boost U.S. Agricultural Exports*, shows that U.S. exports of soybeans and cotton to China have boomed in recent years. Despite the increases, the undervalued exchange rate for the Chinese yuan keeps the prices of most other U.S. food and agricultural products higher than their Chinese counterparts. With an undervalued exchange rate, China's prices are not high enough to attract imports of grains or most livestock products. In another article, *Who Will China Feed?,* Department economists examined the growing resource constraints and environmental costs facing China's agricultural sector. They also looked at a possible end to "easy" growth for Chinese agriculture.

Increase in Commodity Prices—World market prices for such major food commodities, such as grains and vegetable oils, have risen sharply to historic highs of more than 60 percent above levels just 2 years ago. USDA's *Global Agricultural Supply and Demand: Factors Contributing to the Increase in World Food Commodity Prices* report discusses the many factors contributing to the run-up in food commodity prices. Recent factors that have tightened world markets include increased global demand, adverse weather conditions in some major grain and oilseed producing areas, and the declining value of the U.S. dollar.

Exhibit 15: Increase U.S. Export Opportunities and Trends in Expanding and Retaining Market Access

Annual Performance Goals, Indicators and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
1.1.1 Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring, and enforcement (Non-Sanitary and Phytosanitary) ($ Mil) Baseline: 1999 = $2,567	$3,950	$800	$14	$670	$900	$484	Unmet

FY 2004 data is based on Sanitary and Phytosanitary (SPS) and non-SPS related trade barriers. FY 2005 - 2008 data is based on non-SPS trade barriers.

Rationale for Met Range: The target for this measure is controlled by international parties. It reflects U.S. expectations for negotiating new agreements, addressing compliance with existing trade agreements and resolving trade access issues that arise so that domestic exports can continue. A met or exceeded target reflects USDA successes in addressing barriers to U.S. trade. An unmet target may conceal that USDA monitoring activities prevented noncompliance.

- Data assessment metrics to meet the target allow for an actual number in the range 600-900.

Exhibit 16: Data Assessment of Performance Measure 1.1.1

1.1.1 Dollar value of agricultural trade preserved annually through trade agreement negotiation, monitoring, and enforcement (non-SPS).
• Data for the World Trade Organization and tariff rates are projected estimates based on results posted to the performance tracking system within the FAS. Data for successfully retaining and assuring U.S. trade access to export markets are projected estimates based on results posted during the first three quarters of FY 2008. • Completeness of Data—Data for successfully retaining and assuring U.S. trade access to export markets are projected estimates based on results posted during the first three quarters of FY 2008. • Reliability of Data—Data are reliable and used by the Department to highlight successes in the trade-policy arena. • Quality of Data—USDA maintains a standardized methodology to forecast trade impacts. Calculation of trade benefits from preserving existing trade is fairly straightforward and easy using this standard methodology. The primary sources of trade data are Department of Homeland Security's U.S. Customs and Border Protection, the Census Bureau, the USDA publication *Foreign Agricultural Trade of the United States* and other databases. In addition to trade data, other sources include market reports compiled by USDA and industry estimates. Since measuring expected trade benefits from broad new trade agreements is extremely difficult, the Department evaluates its estimates against other outside estimates when available.

Challenges for the Future

The key challenge for increasing access to global markets is progress in the WTO negotiations. The conclusion of the Doha negotiations may be delayed into 2009 due to external factors and the difficulties inherent in negotiating sensitive agricultural issues. Improvement in market opportunities under bilateral and regional trade agreements is contingent on approval and implementation of agreements by all partners. Currently, three bilateral agreements are pending approval by Congress and waiting implementation by our Free Trade Agreement partners. Approval procedures may include legislative, administrative, and judicial processes.

The United States is engaged in a number of dispute settlement cases in the WTO. These are inherently lengthy processes with favorable outcomes for U.S. trade sometimes taking years to realize.

Objective 1.2: Support International Economic Development and Trade Capacity Building

Measure 1.2.1: Number of countries in which substantive improvements have been made in national trade policy and regulatory frameworks that increase market access

Overview

Key Outcome
Improved Ability in Developing Countries to Sustain Economic Growth and Benefit from International Trade

One billion people in the developing world live with chronic hunger, and more than 800 million are undernourished. Today's higher food prices pose significant risks to people and nations already vulnerable to food insecurity and poverty. Major goals of USDA trade and development programs include increasing agricultural productivity, increasing trade with, and investment in, developing countries to enhance economic growth, food security, and the supply and affordability of food. Linking producers to markets with improved transportation, storage, market information, and food processing, as well as increasing private-sector participation in the agricultural value chain, are also USDA priorities for strengthening rural economic activity and moving food from surplus to deficit areas.

To strengthen global food security, USDA deploys experts and institutional resources to help developing countries become economically stable and capable of supporting their populations, which is mutually beneficial. In combination with food assistance that covers gaps in supplies and helps to keep the population healthy, USDA trade and development programs assist foreign governments in adopting productivity-enhancing technologies, reconstructing agriculture in post-conflict or disaster areas, developing sustainable natural resource management systems, and strengthening agricultural research and extension programs. USDA also works with foreign counterparts to advance market-based policies and institutions and expand international trade through trade capacity building, which helps countries meet their WTO obligations, avoid or eliminate barriers to trade, and strengthen policy and regulatory frameworks, with an emphasis on food safety and biotechnology.

USDA measures the number of countries that benefit from improved trade policy and regulatory frameworks. These benefits help developing countries prosper, thus bolstering food security. To develop trade capacity and facilitate market access for U.S. agricultural products, USDA implemented more than 140 technical assistance activities in 2008. These activities targeted regulatory systems in Sub-Saharan Africa, the Middle East, Eastern Europe, Central America, and Russia with emphasis on plant and animal disease diagnosis and mitigation, laboratory efficiency, biotechnology, and Biosafety, as well as generally improving sanitary and phytosanitary (SPS) systems.

Under the Central America–Dominican Republic–Free Trade Agreement (CAFTA-DR), for example, USDA implemented capacity building projects to transfer skills in laboratory analysis, detection of pesticide residues, risk assessment, diagnosis of animal health diseases, and policy regulations. In September, USDA facilitated a successful Trade and Investment Mission in Guatemala for CAFTA-DR. USDA also implemented Asia Pacific Economic Cooperation workshops on food defense, food safety, and biotechnology in cooperation with the Department of State and the Food and Drug Administration. Work on the African Global Competitiveness Initiative (AGCI) focused on activities related to food safety and plant health. A significant AGCI success was approval of a streamlined regulatory process, which resulted in six new African commodities being eligible for export to the U.S. market. In addition, USDA implemented successful Trade and Investment Missions to West and North Africa.

The Department led Good Agricultural Practices (GAP) training for Honduran fruit and vegetable producers which trained roughly 80 fruit and vegetable producers and processors on GAP. For WTO accessions, FAS specialists in WTO negotiations led training on the SPS Agreement and the Checklist of Illustrative SPS and Technical Barriers to Trade (TBT) Issues for Consideration in Accessions.

USDA continues to encourage and support developing-country participation in international regulatory and standard-setting organizations like the Codex Alimentarius Commission. The World Health Organization and the Food and Agriculture Organization of the United Nations (FAO) created the commission to protect consumers from unsafe food products and ensure fair practices in international food trade. In June, the Department implemented Latin American and Caribbean regional workshops. The workshops presented the U.S. positions on Codex Alimentarius issues. Collaborating closely with the FAO, the Environmental Protection Agency, Rutgers University, and USDA co-sponsored a Minor Use Summit. The summit, attended by more than 40 countries, covered issues relating to maximum pesticide levels for minor crops. In addition, the Department coordinated closely with the Codex Office to sponsor outreach activities to increase international understanding of U.S. positions on Codex issues.

Analysis of Results

The performance measure was exceeded, with impacts in nine countries. With training in agricultural biotechnology via USDA's Cochran Fellowship Program, four officials in Nicaragua provided expert consultations to the Health Commission of the Nicaraguan National Assembly, prompting the Commission to send a positive report on a comprehensive Biosafety Bill to the President of the National Assembly. In addition, Nicaraguan officials established laws and regulations to support equivalence with the United States in meat and poultry products, following USDA assistance on regulatory frameworks to ensure product safety.

Internationally recognized food safety laboratories are critical for ensuring that exported food products meet global trade and health standards. The highest level of this recognition for laboratories is ISO 17025 accreditation, provided by the International Organization for Standardization (ISO). The food safety laboratory in Guatemala is the only Central American government laboratory to achieve this status. The Guatemalan laboratory actively implemented the training content and has been recognized for it. USDA also provided regional training for the laboratories on Exotic Newcastle Disease (END) that can be highly destructive to the poultry industry. As a result, the food safety laboratory in Honduras has become highly proficient in testing and diagnosing the disease. Other countries in the region now rely on Honduras as the region's "reference laboratory" or authority for END.

Training for 19 officials from the Kenya Plant Health Inspectorate Service (KEPHIS) under the Cochran Fellowship Program resulted in adoption of USDA's organizational structure for conducting animal and plant health inspections at ports of entry in Kenya, thus strengthening regional food security and trade. Other than South Africa, Kenya's plant regulatory body, KEPHIS, is the model to which other national plant protection organizations in sub-Saharan Africa aspire.

Following USDA participation in several projects in Vietnam intended to promote compliance with WTO obligations, Vietnam has made five SPS-related notifications since January 2008, thus advancing the interests of bilateral trade and improving the transparency of Vietnamese trade regulations. Vietnam's WTO notification on the biosafety management of genetically modified crops allowed the United States to comment on the importance of science-based regulations.

As a result of an intensive, two-year USDA technical-assistance project that provided Egyptian officials training on biotechnology, the Minister of Agriculture in Egypt approved commercialization of a genetically modified Bt corn variety (MON 810). This marks the first genetically modified crop approved for domestic planting in Egypt.

USDA technical assistance in Iraq is building a greater understanding of the U.S. regulatory system and international standards for animal health; facilitating the reintegration of Iraqi Ministry of Agriculture officials into international standards-setting bodies; and re-establishing networks with their counterparts in the Middle East. As a result, Iraq's National Animal Health Program was developed in line with standards of the World Organization of Animal Health and five animal disease-control strategies were adopted in 2008.

USDA experts have also been working with government officials in Armenia to achieve greater consistency and transparency with international standards. As a result, new sample collection forms for the National Animal Diseases Reporting System were approved by the Ministry of Agriculture, and two village-based Examination-and-Therapy animal-holding units are serving as models for veterinary inspection in the Armenia National Animal Health Program. More than 10,000 animals have been inspected and samples taken for the four priority animal diseases in these units.

With the goal of facilitating Serbia's accession to the WTO, USDA specialists led training in Belgrade on the WTO SPS Agreement. By early 2008, the Serbian Ministries of Agriculture and Health had developed a new Food Safety law that is more consistent with the WTO-SPS Agreement and is under consideration by the Government.

Selected Results in Research, Extension and Statistics

International Investment in U.S. Agriculture—Several next-generation, larger-scale, pasture-based dairies owned by three New Zealand investment groups began operating in Missouri as a result of USDA-funded dairy grazing research and extension efforts being conducted by the University of Missouri. These efforts include the development of low-cost winter feeding systems for beef cattle. The largest of these dairies manages more than 3,000 cows and the smallest, 500. The New Zealand groups have invested more than $50 million to date with more farms being developed.

USDA Provides Support for Trade Negotiations—USDA continues to provide the U.S. Trade Representative with analysis supporting Doha Round negotiators and that of the U.S.–South Korea free trade agreement. The Department's program of trade-policy research has developed models, databases, and other analytical tools specifically designed to answer questions related to changes in trade policies and domestic policy instruments subject to multilateral or bilateral negotiation. USDA provided model-based analyses of negotiating proposals or questions related to impacts of tariff cuts, cuts in U.S. domestic support, changes in import quotas and special treatment for "sensitive" products or developing countries.

Exhibit 17: Support International Trade Capacity Building

Annual Performance Goals, Indicators and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
1.2.1 Number of countries in which substantive improvements have been made in national trade policy and regulatory frameworks that increase market access.	n/a	n/a	6	13	8	9	Exceeded

Rationale for Met Range: The target for this measure, based on three years of program history, is driven by international Governments and parties, and U.S. reimbursable-program funding levels. Annual targets reflect USDA expectations for substantive improvements in national trade policy and regulatory frameworks that increase market access for U.S. agricultural products in developing countries.

- Data assessment metrics to meet the target allow for an actual number in the range 5-8.

Data Assessment of Performance Measure 1.2.1

- Data for the World Trade Organization and tariff rates are projected estimates based on results posted to the performance tracking system within the Foreign Agricultural Service (FAS). Data for successfully retaining and assuring U.S. trade access to export markets are projected estimates based on results posted during the first three quarters of FY 2008. Fourth quarter estimates were derived using the average quarterly reporting and discounting the results to reflect any large, one-time annual events not expected to be repeated in the final quarter.
- Completeness of Data—Data are based on specific criteria developed for measuring intangible and qualitative outcomes, and those which are concrete and quantifiable.
- Reliability of Data—Data are reliable, of good quality, and are used by Agency officials to highlight successes in the trade capacity building arena.

- Quality of Data—Data for successfully verifying the numbers of countries in which USDA has made significant impact in trade capacity building are captured from a variety of credible sources, including:
  - Reports from overseas posts and project offices, such as Global Agriculture Information Network reports and progress reports;
  - Individual activity reports as provided by FAS partner institutions;
  - Questionnaires submitted by international participants regarding training programs;
  - Reports from other USDA agencies, FAS offices, the Department of State, the Agency for International Development, and the Office of the U.S. Trade Representative, and U.S. embassies;
  - Assessment of the progress of projects through interviews conducted with ministry officials and other host-country recipients on the impact of USDA technical assistance;
  - Written and verbal observations by program managers who regularly monitor projects in the field;
  - Internal evaluations of activities conducted by the agency and evaluations conducted by external parties;
  - Special workshops designed to elicit feedback and evaluation on "how things are working;" and
  - "Lessons learned" workshops conducted with facilitators to review what is working and what can be improved.

Challenges for the Future

Food insecurity is most prevalent in failed and weakened states characterized by stagnant growth, low-income levels, conflict, dependence on the natural resource base, and poor governance and policy environments. The failure of the growth process in these societies is the core concern and development challenge. Moreover, world market prices for major food commodities have risen sharply to historic highs of more than 60 percent above levels of just two years ago. According to USDA economists, factors including steep increases in prices for agricultural inputs and in transportation costs, two years of poor harvests, export controls in many countries, low world grain-stocks, and increased demand for food and biofuels have increased commodity costs. Although grain prices have fallen in recent months, several of these factors are expected to continue for the foreseeable future continuing to impact many countries for several years.

Since 2007, the McGovern-Dole Program received more than $20 million of additional, processed products through the initiative. Moreover, USDA is developing a Department-wide Action Plan for Food Security, focusing on improvements in policy frameworks, trade and investment, research and technology, natural resources management, global information and monitoring systems, and food safety nets. The Department is also working with other Federal agencies to finalize a consolidated U.S. Government strategy for worldwide food security. Challenges to implementing the strategy and action plan include the factors mentioned above, as well as insufficient global investment in agricultural innovation, research, and market infrastructure; inadequate veterinary and plant protection services to control the spread of disease; and conversion of natural ecosystems to agriculture that could exacerbate climate change, ultimately harming agricultural productivity.

Measure 1.2.2: Food Aid Targeting Effectiveness Ratio

Overview

The goal for supporting developing countries is to help them become economically stable and capable of supporting their populations. USDA participates in this effort, along with other Federal agencies, such as the U.S. Agency for International Development (USAID). Priorities include reducing hunger and malnutrition with sustainable, productivity-enhancing technologies and supporting agricultural reconstruction in post-conflict or disaster areas.

USDA currently administers two food assistance grant programs: the McGovern-Dole International Food for Education and Child Nutrition Program and the Food for Progress program. The beneficiaries under the McGovern-Dole program are developing countries' school children and their mothers. The program provides for the donation of U.S. agricultural commodities and associated financial and technical assistance for pre-school and school-based feeding programs. McGovern-Dole also authorizes the support of maternal, infant, and child nutrition programs. Its purpose is to support a healthy young population necessary for a stable society and a capable workforce. A healthy and literate workforce attracts jobs, supports a sustainable economy, and helps establish a secure food supply through domestic production and imports.

All private voluntary organizations that offer food aid through McGovern-Dole conduct extensive operational and results surveys; USDA evaluates the results to determine the programs' effectiveness. Additionally, semi-annual reports share results and challenges.

The Food for Progress program provides for the donation of U.S. agricultural commodities to developing countries and emerging democracies committed to introducing and expanding free enterprise in the agricultural sector. Priority is given to countries, with the greatest need for food, that are making efforts to improve food security and agricultural development, alleviate poverty, and promote broad-based, equitable, and sustainable development.

Americans want a world in which all countries are stable. The 2002 National Security Strategy of the United States recognizes that the root of a foreign threat is the lack of economic development, which often results in political instability. For most developing countries, a productive and sustainable agricultural sector bolsters economic well-being. Thus, agricultural development is crucial to the National Security Strategy.

Analysis of Results

The Food Aid Targeting Effectiveness Ratio (FATER) applied to USDA programs was 56.9 percent, which exceeded the performance target. USDA entered into a process in 2007 that refined priorities for food assistance, resulting in the selection of a set of priority countries more in line with the FATER process. USDA food assistance programs are now making a greater impact because of the priority-country process. Programs are targeting countries where food gaps are greatest, and commodities furnished under USDA food assistance programs are making more of a difference; hence the higher FATER percentage.

Exhibit 18: Support Foreign Food Assistance

Annual Performance Goals, Indicators and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
1.2.2 Food Aid Targeting Effectiveness Ratio	40-44%[1]	30-35%[1]	30-35%[1]	38%	35%	56.9%,	Exceeded

1 Measure was new in FY 2007; FY 2004-FY 2006 figures are estimates.

Rationale for Met Range: The FATER is based on the Food Security Assessment conducted by the Economic Reporting Service of USDA. For countries with greater food insecurity, there is a larger estimated food gap. FATER measures the effectiveness of USDA food aid in closing the gap. The higher the FATER score, the larger the percentage of the estimated food gap met by Department food aid. In countries with greater food insecurity, the FATER value would be relatively low because of large food gaps in those countries. The FATER value would be higher in countries with less food insecurity, where the food gaps are smaller. A target of 35 percent represents a balance of food aid programming across countries with greater and lesser levels of food insecurity.

- Data assessment metrics to meet the target allow for an actual number in the range 30%-35%.

Data Assessment of Performance Measure 1.2.2

Data on quantities and use of food aid commodities of food aid are captured through the USDA Food Assistance Division database.

- Completeness of Data—Data for successfully reporting on the effectiveness ratio is based on the annual provision and use of food aid. Total quantities of commodities and how these commodities are used by the beneficiary in the country of donation is compiled by the Foreign Agricultural Service and submitted to the Economic Research Service for analysis. Data includes food aid provided by USDA.
- Reliability of Data—Data are reliable, of good quality and used by agency officials to highlight the success and impacts of food aid programs, and strengthen food security.
- Quality of Data— Data for successfully verifying the quantities and use of food aid commodities in which USDA analyzes to show the effectiveness of food aid are captured through the USDA Food Assistance Division database. The outcome from the analysis also is further confirmed through a variety of credible sources, including:
  - Reports from FAS and Department of State personnel at overseas posts;
  - Program activity reports as provided by FAS partner organizations;
  - Follow-on evaluations conducted by FAS;
  - Reports from other USDA agencies, FAS offices, the Department of State, and the U.S. Agency for International Development;
  - On-going assessment of the progress of projects; and
  - Evaluation of activities by outside consulting firms.

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  - On-going assessment of the progress of projects; and
  - Evaluation of activities by outside consulting firms.

Challenges for the Future

USDA faces similar challenges in meeting its food assistance targets as it does with maintaining or expanding or maintaining market access. Uncertainty about WTO negotiations, rising food prices, and the rising cost of shipping are major challenges. There are also weather and fuel issues and that cannot be predicted. The effect of pockets of foreign opposition to biotechnology is also a challenge.

Higher commodity and freight costs are one factor contributing to a reduction in the amount of commodities shipped under the Food for Progress and McGovern-Dole programs. To address these challenges, USDA is continuing the "Stocks-for-Food Initiative," in which Credit Commodity Corporation (CCC)-owned, bulk commodities are bartered in exchanges with U.S. food processors to obtain additional, processed agricultural products for USDA's international food assistance programs.

Objective 1.3: Improved Sanitary and Phytosanitary (SPS) System to Facilitate Agricultural Trade

Measure 1.3.1: Value of trade preserved annually through USDA staff interventions leading to resolutions of barriers created by SPS or Technical Barrier to Trade (TBT) measures

Overview

Key Outcome

An Improved Global SPS System for Facilitating Agricultural Trade

Sanitary and Phytosanitary (SPS) measures are those imposed by governments to protect human, animal, and plant health from pests, diseases, and contaminants. USDA works closely with USTR and other agencies to pursue and enforce trade agreements to ensure that technical regulations and measures are designed to enhance food safety and protect plant and animal health not to become unjustified barriers to trade. USDA staff working on such issues in more than 90 countries includes veterinarians, economists, marketing experts, plant pathologists, and others.

The largest single technical trade issue was the normalization of beef trade after the market closures caused by findings of *Bovine Spongiform Encephalopathy (BSE)* in the U.S. beginning in 2003. *BSE* is a chronic degenerative disease that affects the central nervous system of cattle. The 2007 classification of the United States as "controlled risk" for *BSE* by the World Organization for Animal Health (OIE) Scientific Commission affects U.S. efforts to regain market access. An OIE consistent agreement was reached with South Korea, which should restore access to an $800 million market. Further, the Philippines set a standard for other Asian nations by fully complying with OIE standards on beef and allowing complete market access for U.S. beef and beef products of all ages. U.S. beef exports to the Philippines reached $6.3 million in 2006 when partial market access was achieved. Under this new agreement, USDA estimates that U.S. beef exports to the Philippines could double. In addition, Egypt removed its restrictions on sourcing product from animals imported by the U.S. from Canada. This could expand U.S. exports to Egypt by $40 million. Discussions on beef continue with Japan, China, and Taiwan. Expanding access to the Japanese beef market remains a priority. Key trading partners remain resistant to establishing science-based import requirements based upon OIE standards due to political and social factors.

The Department addressed other SPS and TBT in 2008. Notably, USDA helped persuade Korea to implement its requirements for living modified organisms in a less restrictive manner, which preserved U.S. corn and soybean trade, valued at $1 billion annually. Also, of note were successful efforts to eliminate China's requirement for testing biotech seeds that could have affected all U.S. soybean exports to China. USDA earned Taiwan's approval of Agrisure corn, which made uninterrupted exports of U.S. corn to Taiwan possible. The Department also gained the European Union's (EU) approval of four biotech corn products. This agreement restarted U.S. corn gluten feed exports to the EU. Meanwhile, workshops conducted by USDA for parties to the Cartagena Protocol on Biosafety helped prevent the adoption of liability and redress provisions; adoption would have imposed major financial risks on agricultural suppliers.

The EU also lifted destination testing of U.S. long grain rice for the presence of a genetically engineered trait. This development allowed the resumption of U.S. rice exports to the EU. USDA negotiations with Chile and El Salvador resulted in the opening of those markets to U.S. poultry. In response to U.S. objections raised at a WTO SPS Committee meeting, Malaysia dropped a requirement that would have imposed a $27,000-per-plant inspection fee on international meat and poultry plants. The fee would have stopped U.S. meat and poultry exports.

Analysis of Results

The Department measures the value of trade preserved by resolving trade barriers arising from SPS and TBT measures imposed by foreign governments. Trade issues and their impact on U.S. exports depend primarily on foreign action, sometimes in response to events in the U.S., such as a livestock disease outbreak. Both the problems and the solutions are unpredictable. Solutions can range from a quick agreement with officials at the port of entry to a long negotiation process followed by a lengthy regulatory or legislative process in the country in question. The impact of an action can range from a few thousand to billions of dollars. While USDA can establish priorities in advance for known constraints, unforeseen events will occur that require realigning priorities.

Selected Results in Research, Extension, and Statistics

Economic Analysis of Sanitary and Phytosanitary Systems—Increased trade helps meet U.S. consumers' growing demand for a variety of fresh and processed foods. Imports rose from 4.7 percent of the total value of U.S. food and beverage consumption in 1995 to 6.8 percent in 2005. The import share of certain categories of foods (such as fruits and vegetables) has grown at a faster rate. Unfortunately, increased agricultural imports could inadvertently introduce foreign pests and diseases. The resulting damage to domestic crops, livestock, and the environment can reduce or offset some of the trade benefits. In the Amber Waves article, Regulating Agricultural Imports to Keep Out Foreign Pests and Disease, USDA noted that, while increasing agricultural imports benefits U.S. consumers, shipments can transport harmful foreign pests and diseases. The U.S. and other nations use a number of approaches to reduce agricultural risks to prevent pests and diseases entering through trade.

Exhibit 19: Increase U.S. Export Opportunities

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
1.3.1 Value of trade preserved annually through USDA staff interventions leading to resolutions of barriers created by SPS or Technical Barrier to Trade (TBT) measures. ($ Million).	$3,950	$2,000	$2,600	$2,457	$2,000	$7,316	Exceeded

Baseline: 1999 = $2,567

Rationale for Met Range: The target for this measure is controlled by international parties. It reflects U.S. expectations for addressing compliance with existing trade agreements and resolving trade access issues that arise so that domestic exports can continue. A met or exceeded target reflects USDA successes in addressing these barriers. An unmet target may conceal that USDA monitoring activities prevented noncompliance.

- Data assessment metrics to meet the target allow for an actual number in the range 1,500-2,000.

Data Assessment of Performance Measure 1.3.1

- USDA uses a performance tracking system to collect and analyze actual performance data. The data are collected from the Department's network of overseas offices and headquarters staff. The staff conducts trade compliance and enforcement activities, provides trade negotiation support to the U.S. Trade Representative.
- Completeness of Data—Data for successfully retaining and assuring U.S. trade access to export markets are projected estimates based on results posted during the first three quarters of FY 2008.
- Reliability of Data—Data are reliable and used by agency and Agency officials to highlight successes in the trade-policy arena.
- Quality of Data—In addition to audits and internal control review of the performance tracking system, an established procedure is maintained to review each reported success for verification and the prevention of double counting.

USDA's selection of this performance measure reflects the growing importance of addressing unjustified SPS barriers in order to maintain or expand trade. As the U.S. Government continues to negotiate new bilateral, regional, and multilateral trade agreements, the challenge will be to monitor and enforce compliance with both trade and technical commitments. This monitoring will ensure that U.S. agriculture receives full benefits from negotiated reductions in tariff rates by preventing needless SPS and technical trade barriers.

Challenges for the Future

Given the increasing global flow of food and agricultural products, the ability of foreign countries to develop and implement sound, science-based regulatory systems is vital to the long-term safety of U.S. agriculture and our food supply. U.S. agriculture benefits greatly from the development of transparent and science-based regulatory frameworks in other countries. Besides monitoring and enforcing its rights under the WTO SPS agreement, USDA is working to support the development and adoption of science-based international standards and SPS regulatory systems. These efforts are critical to the Department's ability to bring developing countries into the global trading system, so they can support further liberalization through multilateral trade negotiations.

Strategic Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies

Rural America is of critical importance to the Nation's prosperity. USDA enhances the competitiveness and sustainability of rural and farm economies by expanding domestic market opportunities, increasing the efficiency of domestic agricultural production and marketing systems, and providing risk management and financial tools to farmers and ranchers.

Objective 2.1: Expand Domestic Market Opportunities

Measure 2.1.1: Number of Items Designated as Biobased for Federal Procurement

Overview

Key Outcome

Increased use of biobased products throughout the U.S. Government and increase the demand for agricultural commodities

Agricultural and forestry resources provide renewable raw materials for a broad range of non-food and non-feed products. These products include chemicals, fibers, construction materials, lubricants, and fuels. The development and commercialization of such biobased and bioenergy products provide new and expanded markets for agricultural feedstock, accelerate market penetration, reduce U.S. dependence on international oil, and diversify agriculture while fostering rural and sustainable development. Such products are friendlier to the environment than their petroleum-based counterparts.

Section 9002 of the Farm Security and Rural Investment Act of 2002 (FSRIA) authorized the Federal Biobased Products Preferred Procurement Program (FB4P). FB4P, also called "BioPreferred," is designed to increase the Government's purchase and use of biobased products. FSRIA requires Federal agencies to purchase biobased products instead of their petroleum-based counterparts. The products bought must be readily available, reasonably priced and comparable in performance. As the single largest consumer in the U.S., purchasing roughly $400 billion annually in goods and services, the Federal Government's preferred use of biobased resources will help create new jobs in rural communities and provide new markets for farm commodities.

The Departmental Administration is implementing BioPreferred through successive rulemakings. BioPreferred authorizes the preferred procurement of biobased products that fall under items (generic groupings of products) designated by rulemaking. Congress created BioPreferred to:

- Spur demand growth for new biobased products;
- Increase domestic demand for agricultural commodities;
- Encourage the development of processing and manufacturing in rural communities;
- Capture environmental benefits; and
- Enhance the Nation's energy security.

The first final rule (round 1) was published March 16, 2006. Subsequently, three more rules (rounds 2, 3, and 4) were published in the *Federal Register* in 2008. Once finalized, these rules will add 30 designated items. Five more rounds of designations are in the approval process. There are five more planned rounds of rulemaking.

Technical information to support each proposed rule is available at the BioPreferred Web site, www.biopreferred.gov.

Analysis of Results

The Department measures the number of items designated as biobased products as a proxy measure until data is available to directly measure USDA's impact on sales of biobased products. USDA exceeded its targets for this performance measure because three rules were published designating 33 items. BioPreferred is expected to increase the use of biobased products within the Federal Government significantly. This increased usage, in turn, will encourage the production of biobased products.

USDA continues to inform farmers and other consumers about the benefits of biodiesel fuel and other biobased products. The Department works with the manufacturers and vendors of biobased products, who must provide the material and data necessary to test and evaluate biobased content, environmental attributes, and life-cycle costs. This information will allow USDA to designate generic groupings of products for preferred procurement within the program.

Selected Results in Research, Extension, and Statistics

Specialty Crops Program Contributes to the Economy—The USDA-funded Interregional Research Project number 4 (IR-4) Project is a cooperative program with the Land-Grant University Experiment Stations. The project develops data to support and expedite regulatory clearances of newer, reduced-risk, pest-control products for specialty crop growers. A study by the Center for Economic Analysis at Michigan State University concluded that, including direct, indirect and induced effects, IR-4 contributes nearly $7.7 billion to annual U.S. gross domestic product. The project also supports the employment of 113,411 workers who earn $4.8 billion annually.

"Green" Cleaning Agents—USDA researchers in Albany, California, developed biobased cleaning products, charcoal briquettes, odor-removing non-woven substrates and biodegradable cleaning substrates that are "flushable" and still effective at scrubbing. The use of eco-compatible plant polymers in cleaning products and charcoal creates greener, more economical products. It also aids the American farmer by opening new markets for surplus crops, reduces U.S. dependence on petroleum and minimizes the carbon footprint of single-use products.

Exhibit 20: Number of Items Designated as Biobased for Federal Procurement.

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
2.1.1 Number of items designated as biobased for Federal procurement	n/a	Deferred	6	6	26	33	Exceeded

Numbers signify Items published as final rule in *Federal Register*. Increase in FY 2008 target reflects larger number of items to be designated in the year's series of rulemakings.

Rationale for Met Range: Based on a count of items for designation, the target is a number with no range.

Data Assessment of Performance Measure 2.1.1

The performance measure is the number of items included in final rule designations for the BioPreferred Program (formerly known as the Federal Biobased Preferred Procurement Program).

- Completeness of Data—The performance data are complete and unambiguous. The performance indicator for reporting past performance is a straightforward counting of the number of items included in final rule designations. Projections are based on "rule designations" in process.
- Reliability of Data—The information is reliable. There is no subjectivity or ambiguity in determining the measure's value.
- Quality of Data—The quality of the data is very high due to its reliability. The data for projections are more ambiguous as they incorporate "rule designations" in process and expected progress by multiple Federal agencies in the process of designating additional rules. The performance measure, "items" included in final rule designations does not reflect the amount of BioPreferred program work. Multiple stakeholders and Federal agencies are involved. In addition, there are technical demands in reporting information and support of the program not reflected in the measure.

Challenges for the Future

USDA is addressing the challenge of marketing BioPreferred products by encouraging vendors to voluntarily post product and contact information on the program Web site at www.biopreferred.gov. This will allow Federal agencies to find biobased products for procurement.

USDA is developing a model procurement program for Federal agencies to help them meet their responsibilities within the program's parameters. The program will educate and help Federal agencies, manufacturers and vendors. The Department seeks to better measure the increase in demand for biobased products as it seeks data and studies to support enhanced performance measurement and management.

Objective 2.2: Increase the Efficiency of Domestic Agricultural Production and Marketing Systems

Measure 2.2.1: Timeliness: Percent of time official reports are released on the date and time pre-specified to data users

Overview

Key Outcome

Agricultural Producers Who Compete Effectively in the Economic Market

USDA supports sound decision-making about agriculture by providing readily available, accurate data, and assessments. The Agricultural Statistics Board (ASB) prepares and issues official national and State forecasts and estimates relating to numerous agricultural subjects. ASB covers crop production, stocks of agricultural commodities, livestock products, dairy products, poultry products, agricultural prices, agricultural wage rates, chemical usage, and other related subjects. The reports calendar lists release dates and specified times for USDA's national agricultural statistics reports. These reports cover more than 120 crops and 45 livestock items. All 428 of the agricultural statistics reports, except for 2 scheduled by ASB, were released on time to achieve the 99.5-percent performance target in FY 2008.

Analysis of Results

USDA seeks to enhance agricultural competitiveness by providing timely data, which is measured by the percentage of statistical reports released on time. USDA did not meet its performance target of 100 percent. USDA was unable to release two reports on time. One provider delivered data late for one report, and USDA experienced technical difficulties with the second report.

USDA strives to release its ASB reports on time 100 percent of the time each year. It is imperative to deliver high-quality, objective, relevant, timely and accurate statistics to producers, and other data users. Such statistics allow users to make sound decisions. Official agricultural statistics promote a level playing field in production agriculture with impartial information available to all at a publicized time. These data, provided throughout the year, are important to the commodity and agricultural markets. They help provide a fair and equitable environment. Public officials use the data to make informed decisions. USDA policymakers and Congress use this information to help build a strong sustainable farm economy.

Selected Results in Research, Extension, and Statistics

Healthy Bee Populations—U.S. honeybees are important agricultural workers, pollinating an estimated $15 billion worth of fruit, seed, and fiber crops annually. In response to their declining population, a USDA-funded project team in Arizona developed a nutritional supplement, called MegaBeeTM. Colonies fed the nutritious "bee smoothie" retained 30 percent more adult bees and more efficiently converted food for young bees. MegaBeeTM increased adult bee populations and colony pollination.

Increase Poultry Production—USDA-funded research at the University of Arkansas developed methods being implemented by the two largest poultry integrators in the Nation. Nearly half of all broilers produced in the U.S. have been produced utilizing these new methods for storing eggs during hatching. A 1-2 percent increase in hatchings across the U.S. would produce 2.5 to 5 million more chicks per week by the end of the year, This rise would result in a potential net increase of $1.25 million in direct chick-cost savings.

Provide New Genetic Resources To Protect Corn From Genetic Vulnerability—While corn is the most widely grown domestic crop, it has a narrow genetic base. An expanded genetic base protects crops from new diseases and pests. USDA scientists in Ithaca, New York; Raleigh, North Carolina; and Columbia, Missouri, have produced more than 5,000 diverse corn lines to determine how complicated agronomic traits are genetically controlled in any species. The researchers broke down the lines to produce basic genetic maps using more than 18 million data points. This project will provide an unparalleled understanding of the number, location, and agronomically valuable gene forms that can be exploited for corn improvement.

Provide Statistical Data to Promote Efficient Domestic Agricultural Production and Marketing Systems—USDA collaborates with the United Soybean Board (USB), supplying it with soybean samples from 11 States. USDA analyzes the samples to determine such variables as oil and protein content. These analyses help determine the quality of soybeans produced in the U.S. Researchers also compare them with those grown in other countries. This process helps USB provide analyses back to USDA for research.

Commodity Programs and Farm Structure—USDA examined the links between commodity payments and the changing structure of production for program commodities. Production is shifting to larger farms. The report assesses the pace of those shifts. It also identifies a strong relationship between commodity payments and shifts of production: those locations with the highest commodity payments per acre also have the most rapid consolidation of production into larger enterprises. The statistical relationship is large and pervasive. The report assesses several alternative explanations for the relationship.

Exhibit 21: Agricultural Statistics Reports Released On-Time

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
2.2.1 Timeliness – Percent of time official reports are released on the date and time pre-specified to data users	99.4%	99.8%	100.0%	100.0%	100.0%	99.5%	Unmet

428 official reports were published in FY 2008.

Rationale for Met Range: The target is a number with no variance. Any result less than 100% is considered unmet. This measure cannot be designated as exceeded.

Data Assessment of Performance Measure 2.2.1

The Agricultural Statistics Reports provide statistics to producers and data users. Other stakeholders use the data to make informed decisions and impact the commodity and agricultural markets.

- Completeness of Data—The data are considered complete as of September 30, 2008.
- Reliability of Data—The data are considered reliable and is supported by multiple data sources, public, and private. The data undergo extensive review and checks to ensure proper reporting.
- Quality of Data—Data are obtained from farm and ranch operators, agribusinesses such as grain elevators, shippers, processors, and commercial storage firms. Scientifically designed sampling methods are used to determine the operations to be included in each survey. The national Agricultural Statistics Service (NASS) also maintains an area sampling frame, essentially the entire land mass of the United States. Detailed information on reports may be found at: http://www.nass.usda.gov/About_NASS/index.asp.

Challenges for the Future

Collecting and preparing large volumes of Agricultural data for the Department involves multiple stakeholders and deadlines which may affect timely reporting. Delayed data collection from sources and unanticipated technical or other difficulties impact timeliness.

Measure 2.2.2: Percent of market-identified quality attributes for which USDA has provided standardization

Overview

Key Outcome

Economically Sound Agricultural Production Sector

USDA facilitates the marketing of agricultural products in domestic and international markets. The Department's programs enhance the marketing and distribution of agricultural products which benefits producers, traders, and consumers of U.S. food and fiber products. Activities include:

- Disseminating market information;
- Implementing and monitoring the Country of Origin Labeling (COOL) Program;
- Purchasing specialty crops, meats, fish, and poultry products that are provided to USDA nutrition assistance programs;
- Monitoring egg handling operations;
- Developing commodity grade standards;
- Protecting producers from unfair marketing practices;
- Developing organic standards and managing the National Organic Program (NOP);
- Conducting research, providing technical assistance, and establishing grants aimed at improving efficiency of food marketing and distribution;
- Sampling and testing commodities for pesticide residues and pathogens:
- Verifying pesticide recordkeeping; and
- Providing grading, certification, and audit verification services to confirm marketing claims.

USDA improves market competitiveness and increases the efficiency of agricultural marketing systems through its *Market News* program. *Market News* gathers and publishes price and other market data on specific agricultural commodities. This timely, accurate, and unbiased market information covers local, regional, national, and international markets.

NOP develops, implements and administers national production, handling and labeling standards for organic agricultural products. It also accredits the certifying agents (domestic and international) who inspect organic production and handling operations to certify that they meet USDA standards. Through these regulatory activities, consumers may be assured that organically produced products meet a consistent standard. The activities also show that the market can conduct commerce in fresh and processed food produced organically. The program provides the infrastructure needed for an efficient and competitive system for the marketing of organic agricultural products.

During FY 2008, USDA reorganized NOP into three branches: Standards Development and Review; Accreditation, Auditing, and Training; and Compliance and Enforcement. NOP worked closely with the National Organic Standards Board (NOSB) and the rapidly expanding organic agriculture industry to strengthen operations and communication. NOSB is charged with assisting the Secretary of Agriculture in developing standards for substances to be used in organic production. Both NOP and NOSB looked to refine the definitions and requirements for organic production and labeling. On July 14, 2008, USDA issued a proposed rule to amend the legislatively mandated National List of Allowed and Prohibited Substances regulations. The changes reflected recommendations submitted to the Secretary by NOSB.

Farmers markets allow consumers to buy locally grown farm-fresh produce. They also allow farmers to develop personal relationships with their customers and gain their loyalty. To aid small farmers and the agriculture community, USDA marketing experts provide technical advice and assistance to States and municipalities interested in creating or upgrading wholesale market facilities, auction and collection markets, and retail farmers markets.

Since 2006, many States have used specialty crop block grants funding for marketing programs to enhance the competitiveness of these commodities. Some of these specialty crop programs promote State-grown products. Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture). All 50 States, the District of Columbia and the Commonwealth of Puerto Rico are eligible to participate.

Mandatory COOL labeling began in 2008 for beef and veal, lamb, pork, fish, chicken, goat, macadamia nuts, pecans, ginseng, perishable agricultural commodities, and peanuts. The program includes activities related to quality assurance, regulations, protocols, general administration, and program management. The 2008 Farm Bill amended COOL to require retailers to notify their customers of the country of origin of an expanded list of food products. The Farm Bill also added provisions for labeling products of multiple origin and specifications for international compliance.

Additionally, the 2008 Farm Bill increased how much USDA will spend on fresh fruits, vegetables, and nuts to provide nutritious foods for schools and service institutions participating in domestic nutrition-assistance programs. *Dietary Guidelines for Americans* recommends increasing fruit and vegetable consumption. Since USDA's nutrition assistance programs reach 20 percent of Americans, this change will provide readily accessible servings of fruits and vegetables to low-income populations and schools.

Setting official standards for agricultural products and regulating and monitoring them enhance the marketing and distribution of agricultural products. For example, USDA establishes the official U.S. standards for grain; conducts official weighing and grain inspection activities; and grades rice, dry beans and peas, processed grain products, and hops. USDA also establishes official U.S. Standards, specifications, and marketing claim descriptions for cotton, dairy products, fruits, vegetables, other specialty crops, meat, poultry products, and eggs.

Analysis of Results

When new standards are needed, USDA initiates a process to develop and implement the standards. Measuring the number of standards developed by the Department to meet market needs indicates how USDA is performing in its efforts to support a sound agricultural sector in the economy. USDA accomplished its standards development goal for FY 2008 by publishing quality standards for Llama/Alpaca Meat and Caprine Meat Carcasses and Cuts. These standards were developed in conjunction with the United Nations Economic Commission for Europe (UNECE). The purpose of these UNECE standards is to facilitate trade for meat products by an internationally recognized description for use between buyer and seller for meat items commonly traded internationally. They also establish and define a coding system for communication and electronic trade.

USDA issued revised U.S. Standards for Grades of Potatoes, Pineapples, and Tomatoes on the Vine. USDA also proposed revised U.S. Standards for Beef Greens, Carrots, Frozen Okra, and Table Grapes (European or Vinifera Type). The U.S. Standards for Grades of Olive Oil and Olive-Pomace Oil, and the U.S. Standards for Grades of Frozen Onions are slated for publication in FY 2009.

USDA also developed three quality assessments for grain:

- A rapid, field-based test for *Ochratoxin A*, a mycotoxin which can occur in wheat and barley;
- Official inspection services for Blue Corn; and
- Amendments to the U.S. Standards for Sorghum.

Mycotoxins are produced by various fungi and can endanger humans and animals when consumed. Because many U.S. trading partners have established tolerance levels for mycotoxins, USDA has approved rapid tests for use in its official inspection system to certify toxin levels and facilitate grain trade.

The Department also established official inspection services for blue corn under the U. S. Grain Standards Act (USGSA) at the request of blue corn producers. USGSA is designed to facilitate the marketing of grain, oilseeds, pulses, rice, and related commodities. Additionally, the Department has laid the groundwork for additional colors of specialty corn, such as red and purple, if they come into the market.

USDA revised the United States Standards for Sorghum to amend:

- The definitions of the classes of sorghum;
- The definition of non-grain sorghum;

- The grade limits for broken kernels and foreign material;
- The grade limits for the subfactor foreign material;
- The total count limit for other material into the standards; and
- The method of certifying test weight.

All changes were made in response to requests from the market. They were announced and finalized through the public rulemaking process. The revised standards will promote the marketing of higher quality sorghum. They offer better descriptions of the types of grain sorghum produced by American farmers. The standards also reduce the allowable levels of broken sorghum kernels and foreign material in the various quality grades of sorghum.

Exhibit 22: Percent of market-identified quality attributes for which USDA has provided standardization

Annual Performance Goals, Indicators and Trends		2004	2005	2006	2007	Fiscal Year 2008		
						Target	Actual	Result
2.2.2	Percent of market-identified quality attributes for which USDA has provided standardization	96%	96%	94%	95.7%	97%	98%	Exceeded
Rationale for Met Range: The target is a number with no variance. Any result greater than or less than 97% is considered unmet or exceeded, respectively.								

Data Assessment of Performance Measure 2.2.2

The development of quality standards is a complex, multi-stage process requiring extensive review and discussion with the client industry. Thus, yearly milestones have been established for completing of the standards development process. For Agricultural Marketing Service (AMS), the development of a new standard requires a great deal of research into a wide range of activities, including: 1) a study of the product to determine the quality factors involved and the range of quality produced; 2) an investigation into the production practices in major producing areas, varieties or types of production, packing, processing techniques, and consumer-buying practices; 3) a statistical plan for sampling product; and 4) interviews with producers, packers, processors, shippers, receivers, consumers, and scientists.

- Completeness of Data—Data used in conjunction with performance information are based on information reported by the Grain Inspection, Packers and Stockyards Administration (GIPSA) and each Commodity Standards Branch: Cotton, Tobacco, Dairy, Fruits and Vegetables, Livestock and Seed, and Poultry – through the end of the third quarter of the reporting year, and a projection for the fourth quarter of the fiscal year based on prior-year performance. The Department also calculates the quarterly and annual results based on a statistical model of percentage of goal attained by the AMS and Grain Inspection, Packers and Stockyards Administration for standards development.
- Reliability of Data—The data are reliable because of extensive research and field testing. These tests are used to adjust the standard or specification until it is an accurate measure of the commodity. It is then made available for review and comment in the *Federal Register* by industry stakeholders, clients, and customers. Performance shortfalls may occur if resources are limited or if the standard under development is controversial.
- Quality of Data—Data are projected based on industry requirements, program plans, and historical performance trends. The target information uses data dependent upon the baseline projections from AMS Commodity Standards programs. To the extent that any of the USDA projections are inaccurate, the projection of value also will be inaccurate.

Challenges for the Future

Keeping up with changes in consumer demand, domestic and international marketing practices, and new technologies present challenges for USDA. New legislation may introduce the need to modify or add standards. Standards bodies are another source of new or modified standards. USDA must react quickly to these changes while continuing to monitor the entities that follow these standards.

Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers

Measure 2.3.1: Increase the normalized value of risk protection provided to agriculture producers through FCIC-sponsored insurance

Overview

USDA provides and supports cost-effective means of managing risk for agricultural producers. This assistance is designed to improve the economic stability of agriculture. It assesses the producers' need and develop a variety of suitable risk-management tools. These tools help farmers and ranchers protect their livelihood in times of disasters or other uncontrollable conditions. USDA uses the value of risk protection to measure the effectiveness of risk management. The value of risk protection denotes the amount of insurance used to protect and stabilize the agricultural economy.

The USDA Federal Crop insurance program provides an actuarially sound risk management program to reduce agricultural producers' economic losses due to natural disasters. This program is available to producers solely through private insurance companies. These companies market and provide full service on policies upon which they share the risk with USDA. A Standard Reinsurance Agreement (SRA) defines the amount of risk they share. The SRA calls for insurance companies to deliver risk-management insurance products to eligible entities under certain terms and conditions. Companies are responsible for all aspects of customer service and guarantee payment of producer premiums to the Federal Crop Insurance Corporation (FCIC). In return, FCIC reinsures the policies and provides premium subsidy to producers. It also reimburses for administrative and operating expenses associated with the companies delivering the insurance products. During most of 2008, the number of participating companies totaled 16 with another company approved effective July 1. The value of risk protection provided over the past year to agricultural producers through FCIC-reinsured policies exceeded $88 billion in 2008 dollars. This amounts to a three-fold increase in program liability during the last decade.

USDA also has implemented several initiatives to increase awareness and service to small and limited resource farmers and ranchers and other under-served groups and areas. Through partnership agreements, the Department provides a venue for public and private agricultural organizations, land grant colleges and universities community based organizations, farmers and ranchers, and other stakeholders. USDA also partners with community-based organizations, and Hispanic Serving Institutions. These partnerships provide technical program assistance and risk-management education on strategies associated with legal, production, marketing, human resources, and labor risks.

Analysis of Results

Agricultural producers need protection from the multiple perils of weather, disease, wildlife, wildfire and market volatility. For producers who experience severe losses, crop insurance proceeds can prevent mortgage defaults or bankruptcy. USDA continued to assess producers' needs and private risk-management tools to ensure that new and innovative alternatives are available that result in increased program participation. Measuring the amount of risk-protection offered to agricultural producers demonstrates how the Department helps provide a sound agricultural economy by protecting its members from severe economic losses.

USDA exceeded its target by $0.3 billion in FY 2008. During the 2008 crop year, the economic risk of American agricultural producers dropped by approximately $88.5 billion (liability) through Federal crop insurance coverage. The performance measure illustrates the normalized/real dollar value of FCIC insurance within the agricultural economy. It also shows the amount of potential collateral provided to qualify for commercial loans. Since the 1999 crop year, the normalized value of the liability of the policies has increased by approximately $19 billion. While there are a number of factors that influence these figures, including market-price increases and inflation, they still represent a major growth in the amount of the agricultural economy insured via FCIC-reinsured policies.

USDA has significantly increased the value of risk protection through FCIC-reinsured policies since FY 2000. The Department continues to work closely with insurance companies that market and provide full service on crop insurance policies. It researches and develops new products that address the needs of producers. USDA has partnered with State departments of agriculture, universities, and farm organizations to deliver regionalized risk management education programs for producers in the historically underserved States, and for specialty crop producers. Due to these efforts, the Federal Crop Insurance Program should continue to provide actuarially sound risk-management solutions to strengthen and preserve the economic stability of American agricultural producers.

Selected Results in Research, Extension, and Statistics

Adoption of Farm Management Tools—With USDA funding, Pennsylvania Extension teaches the use of farm financial-management tools. Armed with this knowledge, 1,668 participants in Pennsylvania indicated that they had implemented or adopted business plans, market research, decision-making tools, risk-management practices, and/or human resource management practices. With the extension's help, another 1,328 indicated that they implemented or adopted sustainable agriculture or nutrient management practices and methods on their farm.

Credit: Access, Constraints, and Implications for Farms and Sole Proprietorships—USDA's Agricultural Resource Management Survey asked farmers about their use of debt. If the response was that debt was neither used in purchasing capital items nor acquiring operating inputs, a follow-up question asked why the operation did not take out loans or use a line of credit. A range of responses was allowed that extended from self-financing due to the sufficiency of available funds, to transaction costs, risk associated with debt, and the inability to obtain new or additional credit. Questions have also been asked to inquire whether a producer's credit application has been rejected or reduced in amount. Initial research using these data is underway.

Exhibit 23: Providing Risk Management Tools to Farmers and Ranchers Economically Viable

Annual Performance Goals, Indicators and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
2.3.1 Increase the normalized value of risk protection provided to agriculture producers through FCIC-sponsored insurance ($ Billion)	$43.0	$45.3	$48.7	$50.7	$53.7	$51.0[1]	Met

As of October 2, 2008.

New methodology described in the Analysis of Results has produced revised figures for previous years.

[1]The total value in 2008 dollars is $88 billion.

Rationale for Met Range: Annual targets for this measure, based on five years of program history, have consistently seen a variability of plus or minus 4.4.

Data Assessment of Performance Measure 2.3.1

The value of risk protection denotes the amount of insurance protecting and stabilizing the agricultural economy. The target is based on projections developed in November 2003. The baseline model uses the latest information from the crop insurance program and combines it with USDA baseline projections for major crops. In making the projections, the model holds various factors constant, such as premium rates and average coverage level. The model assumes that all non-major crops behave consistently with projections for major crops. The liability from the baseline projection is adjusted to remove the effect of year-to-year variations in price to produce "normalized liability" projections. The reference price used for the normalization is the average commodity price from 2002 to 2006. The baseline model is a tool for developing budget projections contained in Presidential budget requests. The budget and performance projections for the crop insurance program mainly depend on the baseline projections from numerous USDA agencies.

- Completeness of Data—The data used in conjunction with performance information are based on information reported through the end of the third quarter. To provide the annual data, USDA projects the results for the fourth quarter of the fiscal year based on prior-year performance. Analysis has shown that normally 99 percent of the final actual data will be reported to USDA during the first quarter of the next fiscal year. The Department receives the actual data from insurance companies. It then maintains data through two integrated processing systems that validate the information transmitted by insurance companies. The data then are sent through the system to generate all accounting functions. These processing systems provide a mechanism to ensure that data received are accurate, errors are corrected quickly, and timely monthly accounting reports are provided.
- Reliability of Data—USDA deems this information to be reliable. The insurance companies receive data from the producers and transmit them to USDA. Once received, the Department takes extensive steps to verify the data's accuracy and validity. The SRA also provides reinsured companies with disincentives for not following prescribed guidelines and procedures. A recent audit by the Office of the Inspector General (OIG) (see Audit OIG-05099-111-KC, under Goal 2 in the Program Evaluations section) found that the Risk Management Agnecy (RMA) information technology environment might be vulnerable to errors, misuse, abuse, unauthorized access, disruption of service, and willful destruction. RMA generally agreed with these findings and has implemented memorandums of understanding with their information partners with procedures to ensure reliable data.
- Quality of Data—Data are projected based on historical performance and the target information uses information dependent upon the baseline projections from numerous USDA agencies. The accuracy of the projections directly affects the accuracy of the projections of value.

Challenges for the Future

USDA's challenge is to continue expanding and improving insurance coverage and other risk-management solutions, particularly for underserved States, areas, communities, and commodities. The Department needs to address the management and financial information technology costs associated with operating and maintaining existing program data needs. These systems and technologies also service new and revised products. USDA continues to research how to deliver more crop and livestock products suited for a diverse agriculture and cover specialty crops with unique agronomic and economic characteristics. This research includes reviewing and approving private-sector insurance products reinsured by FCIC that are targeted to the unique needs of underserved areas and various specialty crops. The Department also continues to evaluate the delivery of risk management products to ensure their efficient delivery to agricultural producers. To further contribute to the producers' ability to protect their financial stability, USDA will continue to provide education, outreach, and non-insurance risk management assistance initiatives, and tools through partnerships.

Measure 2.3.2: Increase the percentage of eligible crops with Noninsured Crop Disaster Assistance Payments (NAP) coverage

Overview

Key Outcome
Economically Sound Agricultural Production Sector

Farmers must have access to timely and accurate information. Without it, they will not be able to compete in a rapidly growing marketplace. USDA provides farmers with the risk management and financial tools needed to minimize risk and enhance their operations.

To help maintain the economic stability of agriculture, USDA has programs that reduce the volatility of price and climate fluctuations. Stable commodity supplies and prices assure an affordable supply of food for the Nation. In times of natural disaster, the Department also administers emergency loan and disaster relief programs to return farms and ranches to their pre-disaster state as quickly as possible. USDA's NAP provides financial assistance to producers of non-insurable crops when natural disasters cause low yields or inventory loss, or prevent planting.

Those eligible for assistance through NAP are landowners, tenants, or sharecroppers who share in the risk of producing an eligible crop. Eligible crops must be non-insurable agricultural commodities for which there is no available crop insurance. By obtaining NAP coverage, producers are able to provide some level of assurance to lending institutions that USDA will assume a portion of the insurance risk.

Analysis of Results

This measure, like the previous one, shows performance in providing a sound agricultural sector by helping mitigate severe losses. USDA did not meet its target for increasing the percentage of eligible crops with NAP coverage. Participation in the program was lower because prior ad hoc disaster legislation mandated participation in NAP as a precondition for receiving disaster payments. However, producers who had not purchased NAP were allowed to participate in the disaster program if they agreed to purchase NAP for the following two crop years. This legislative requirement expired with the 2007 crop; therefore, producers dropped out of the fee-based NAP program, resulting in a drop in enrollments. Also, the NAP measure uses proxy data derived from claims made on the 2007 crop year. NAP payments for the 2007 crop year were roughly half what they had been the prior year due to generally favorable weather conditions. In low loss years the use of a proxy measure may result in underreporting the actual performance of the program. Further, the program has documented increased enrollment for FY 2008 and should trend upwards in the next fiscal year due to the requirement in the 2008 Farm Bill that a producer must have obtained a policy or plan of insurance or NAP coverage to maintain eligibility for four of the five new standing disaster programs.

Exhibit 24: Providing Tools to Help Farmers and Ranchers Stay Economically Viable

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
2.3.2 Increase percentage of eligible crops with Noninsured Crop Disaster Assistance Payments (NAP) coverage	11.12%	12.82%	12.70%	11.76%	11.76 %	7.2%[1]	Unmet

- Estimated results as of September 30, 2008.
- The target and threshold represents the value of crops participating in the program compared to the universe of the value of crops eligible to participate in the NAP program.

Rationale for Met Range: Data assessment metrics to meet the target allow for an actual number in the range 10.76%-12.76%.

Data Assessment of Performance Measure 2.3.2

- Completeness of Data—The data are estimated as of September 30, 2008.
- Reliability of Data—The Farm Service Agency (FSA) collects performance information from key program partners that it uses to manage NAP and improve performance. RMA conducts numerous edit checks of its source data. NASS' review of its data includes peer review. FSA correlates RMA and NASS data to NAP. It uses a simple formula approved by the Office of Management and Budget in the NAP Program Assessment Rating Tool process. External factors which contribute to and impact the program's performance data include natural disasters, crop eligibility, legislated linkage requirements, and commodity price fluctuations. While the participation rate may fluctuate from year to year, the program is on track towards meeting long-term targets. The 2008 Farm Bill links eligibility requirements to receive disaster benefits to NAP participation.
- Quality of Data—Data reviews for integrity and accuracy are conducted by FSA and its partner agencies. It is considered to be of high quality.

Challenges for the Future

Because of the volatile nature of the market and the unpredictability of natural disasters, USDA regularly reviews NAP and other farm support programs in keeping with legislation to provide effective, customer-focused programs. Information technology and infrastructure modernization also pose an ongoing challenge to the Department. Significant costs are associated with providing adequate technical assistance to support USDA programs and management.

Measure 2.3.3: Increase percentage of beginning farmers, racial and ethnic minority farmers, and women farmers financed by USDA

Overview

USDA Farm Loan Programs (FLP) provides loans and loan guarantees to eligible farmers and ranchers. The programs are designed to promote, build, and sustain family farms, which help support a thriving agricultural economy. Department assistance is particularly important to minorities, women, and beginning farmers. These groups typically have limited financial assets or limited farming experience. Barriers to entering production agriculture are quite high, and include the initial capital investment, high land values, and increasing input costs. Beginning farmers, minorities, and women are particularly impacted by these barriers. Access to credit is an important tool in overcoming the barriers and allowing these groups to begin or maintain a farming operation.

Analysis of Results

USDA met the performance measure target. The Department currently provides agricultural credit to more than 16.2 percent of the Nation's minority, women, and beginning farmers. This credit includes direct and guaranteed farm ownership and operating loans. Farm ownership loans are used to purchase farm real estate, enlarge existing farms, construct or improve farm structures, and improve the environmental soundness of farms. Farm operating loans are used for normal operating expenses, equipment, machinery and livestock purchases, and refinancing existing debt. In FY 2008, USDA provided an estimate of 15,273 loans to the targeted groups – roughly $1.63 billion. USDA currently has 44,343 minority, women, and beginning farmers in its loan portfolio, a 33 percent increase since FY 2000. This is a significant accomplishment when considering that the overall loan portfolio has declined during that time period.

Exhibit 25: Providing Tools to Help Farmers and Ranchers Stay Economically Viable

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
2.3.3 Increase percentage of beginning farmers, racial and ethnic minority farmers, and women farmers financed by USDA	14.50%	15.00%	15.50%	15.9%	16.5%	16.22%[1]	Met

[1] Estimated as of September 30, 2008.

Rationale for Met Range: Data assessment metrics to meet the target allow for an actual number in the range 16%-17%.

Data Assessment of Performance Measure 2.3.3

FLP data reside in the Program Loan Accounting System, Guaranteed Loan System, Direct Loan System, and FLP Databases. Information obtained from the 2002 Census of Agriculture is also used for this performance measure. The measure is calculated by taking the total number of minority, women, and beginning farmers in the loan portfolio and dividing it by the number of members of those three groups listed in the 2002 Census of Agriculture with at least $10,000 in sales (this sales figure excludes hobby farms, which are not the intended market for FLPs).

- Completeness of Data—Data reported will be considered final as of September 30, 2008.
- Reliability of Data—Data are considered reliable. System enhancements and built-in edits, coupled with comprehensive internal control review programs help ensure data reliability and quality. Census of Agriculture data are considered reliable. However, the resulting percentage reported likely understates the importance of USDA's service to these targeted groups. It does not account for how many of these farmers would meet USDA's test for credit. Given that less than 50 percent of farm operators have any debt, it is unlikely that all of the targeted farm operators identified in the census would meet the credit test. Despite this limitation, these data are the best available for estimating USDA's performance in reaching the targeted groups.
- Quality of Data—FLP data is of high quality. Most FLP data originate from accounting systems, which are subject to OIG audit. FLP data are collected for multiple purposes and gathered throughout the normal lending process. Data derived from the 2002 Census of Agriculture were developed in FY 2006 and will be used until the next census is completed.

Challenges for the Future

The structure of U.S. agriculture continues to change as most farms become larger and increasingly dependent on technology, resulting in increased capital needed to gain entry into farming. The costs of operating a farm continue to increase because of higher input costs. These factors result in significant barriers and challenges for the groups that the USDA farm loan programs are intended to assist. To keep pace, USDA will continue efforts to modernize the program delivery system and refine and adjust program requirements to maximize opportunities for our nation's minority, women, and beginning farmers.

Strategic Goal 3: Support Increased Economic Opportunities and Improved Quality of Life In Rural America

Objective 3.1: Expand Economic Opportunities by Using USDA Financial Resources to Leverage Private Sector Resources and Create Opportunities for Growth

Measure 3.1.1: Jobs Created or Saved

Overview

Key Outcome
Enhanced Capital Formation for Rural Communities

USDA's programs help finance rural businesses and promote opportunities for economic growth as measured by jobs created and saved.

One of USDA's core missions is to ensure that rural residents can enjoy the same economic opportunities other Americans do. This is not a simple mission. Credit limitations and other market imperfections can prevent rural economies from creating jobs and generating incomes sufficient to allow rural families to thrive. These factors also deter rural youth from staying in local communities. To address this issue, USDA programs provide capital enhancement tools for rural America. These programs provide affordable access to funding for investment in businesses and economic infrastructure.

The development of an Internet-based economy provides unique opportunities for rural America. A rural broadband infrastructure can ease many limitations on rural business development caused by geographic distance and a small local customer base. Thus, USDA is providing capital to finance access to broadband service for rural communities. Internet access is critical to enable rural businesses to participate in the developing global economy.

The Department's grant programs provide funds to under-resourced rural communities. The funds help improve local infrastructure or expertise to be more attractive to new businesses and maintain appeal to local residents. For instance, while rural improvements are usually funded by special local business tax assessments, in marginally viable areas, such an assessment may not be affordable. USDA can help. Frequently, companies looking for a new location need special skill sets, and USDA grants can fund small targeted job-training programs.

The USDA Value-Added Producer Grant is designed to help producers expand their customer base for the products or commodities that they produce. It gives rural producers a chance to make more money from their processed products. The program has allowed many agricultural producers to embrace new marketing opportunities for their agricultural commodities.

Whether a grant of $20,000 is used to improve small town lighting or provide targeted training to attract a business, all rural residents benefit from these investments. A USDA loan or grant to a rural business for start-up, expansion or modernization enhances the local job market and tax base. The local economy is stimulated, jobs are created, and the quality of life improves for most citizens.

Renewable energy projects funded by USDA loans and grants improve the local economy through new jobs at the energy plants, enhanced tax base, and local profits. Recent funds allowed many small business owners to decrease their energy consumption, and increasing profit margins.

Analysis of Results

USDA met its goals for this objective. The number of jobs created or saved is linked directly to the amount of total available USDA business program funding, amounts obligated and disbursed to awardees, and local economic conditions. Annual job targets are based on historical program operations, subsidy rates and annual appropriations. The target job numbers assume a level funding horizon and timely allocations of funds without regard to the potential impact of major natural disasters. Annual budget authorities, subsidy rates, and program levels vary annually. Recently, these factors caused a general decline in annual job numbers. The targets, results and usage of funds for USDA programs fulfilled expectations. Any remaining program funds will be carried over into FY 2009 and continue to provide benefits to rural communities in the next fiscal year.

Selected Results in Research, Extension, and Statistics

Helping Americans to Save for the Future—USDA-funded Cooperative Extension in 21 States has either led or participated in a coalition to offer 31 local Saves campaigns. One finding showed that 16,530 Savers enrolled in 2007 committed to a cumulative savings goal of $1.6 million monthly. The top five savings goals were emergency savings, education, debt repayment, homeownership, and investment/saving.

Exhibit 26: Strengthen Rural Businesses

Annual Performance Goals, Indicators and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
3.1.1 Jobs Created or Saved	80,169	73,328	71,715	72,710	72,373	70,476	Met

Numbers previously reported were adjusted for the new methodology. Newly revised numbers still meet original targets.

Rationale for Met Range: Job projected data is gathered when projects are obligated in Guaranteed Loan System (GLS) based on a formula driven by historical results. Final job counts are verified on closing the loan and grant. A met range of 5 percent is used.

- Data assessment metrics to meet the target allow for an actual number in the range 68,468-75,676.

Data Assessment of Performance Measure 3.1.1

Business program data are collected in various systems and ways. The finance office records and reports total loan and grant obligations as of the date they are executed. These data are collected as part of the obligation process. USDA also uses one of its own systems, the GLS, to collect additional information to satisfy reporting requirements, and for management and evaluation purposes. This information includes the number of jobs projected at obligation and verified jobs created or saved at the transaction's closing. Data used to determine the Business and Industry Guaranteed Loan Program's delinquency status are generally reported directly by lenders into GLS. For other programs, USDA staff reports delinquency information.

- Completeness of Data—Business program data are considered final and complete as of September 30, 2008, unless there are any year-end closing adjustments.
- Reliability of Data—Borrower financial performance is reported by many, but not all, lenders semi-annually to the Rural Business Cooperative Service. There is inconsistency in the time periods represented by lender reports. In lieu of a reliable, consistent and complete data set from lenders, the Finance Office's financial data have been found acceptable to OIG, as are State office-verified data on the financial performance of loans. Data for jobs created or saved are obtained by State office staff from borrowers and lenders. They are entered into GLS at the same time obligations are recorded. These data are reliable when they have been updated and verified by State staff. USDA reports the computed jobs saved or created based on underlying market and financial feasibility projections that support loan applications. The jobs are counted only in one fiscal year, the year the loan is obligated. The delinquency rate, which excludes loans in bankruptcy, is based on reports supplied by lenders on the performance of each loan. While the percentage of States verifying third-party financial and jobs data have improved each year, further improvements are needed. Rural Development (RD) is testing an economic model to show the impact of business programs in rural areas more accurately and completely.
- Quality of Data—While the percentage of States verifying third-party financial and jobs data has improved each year, further improvements are needed. The economic model described above should lead to these improvements.

Challenges for the Future

Rural economies face challenges different from those of urban and suburban areas. These challenges include:

- Historical dependence on local natural resources and farm commodities, subject to cyclical trends, and changing regulatory standards and oversight;
- Low profit margins on local commodity sales yet strong competition from international commodities;
- Large-scale changes in technology and related efficiency gains; and
- Inaccessibility and low-density populations resulting in limited foot traffic for retail establishments, and limited discretionary budgets for business improvements, upgrades, and modernization.

Additionally, rural areas typically have underdeveloped public services that make it difficult to attract or retain businesses. The lack of public funding for amenities which are common in urban areas, such as dedicated business parks or expanded transportation links, creates additional challenges. Education, health care, and entertainment are perceived to be marginally acceptable in rural areas.

Objective 3.2: Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities, and Needed Community Facilities

Measures 3.2.1–3.2.5

3.2.1 Number of borrowers/subscribers with new and/or improved electric facilities

3.2.2 Number of borrowers/subscribers with new or improved telecommunication services (Broadband)

3.2.3 Number of borrowers/subscribers with new/improved service from agency funded water facility

3.2.4 Homeownership opportunities provided

3.2.5 Percentage of customers who are provided access to new and/or improved essential community facilities

Overview

Key Outcome

Improved Rural Quality of Life Through Homeownership, New and/or Improved Facilities for Water, Waste Disposal, Electric, Telecommunications, and Essential Community Facilities

Basic infrastructure services are essential for rural communities to compete in today's rapidly changing economy. These communities need clean water, effective wastewater systems, and reliable and affordable electricity and telecommunications to survive. These services act as the foundation of economic development.

While the largest number of loans and grants goes to fire, rescue and public safety, historically, the greatest amount of community facilities funding has gone for health care projects. More than $250 million was invested in 139 health care facilities serving 3 million rural residents. During the same period 595 communities received more than $95 million to finance fire, rescue, and public safety facilities, equipment, and vehicles. Overall, more than 12 million rural Americans will enjoy a better quality of life directly attributable to the $500 million investment in essential community facilities.

USDA utilities programs help rural businesses build and maintain cost effective electrical infrastructure. USDA can help businesses achieve favorable interest rates on loans to finance energy saving endeavors. Programs that help rural businesses save on energy costs can also save rural jobs, since keeping energy costs down can mean the difference between success and insolvency.

A New Mexico company used funds from 2 USDA telecommunications loans totaling $70 million to buy and upgrade local telephone facilities. These facilities served portions of Navajo lands in the Four Corners and Canoncito areas of northwestern New Mexico. The company's efforts earned it a USDA Community Connect Grant. The Community Connect Program serves rural communities where broadband service is least likely to be available, but where it can make a tremendous difference in the quality of life for citizens. The grant was used to build and manage an Internet training center and an e-commerce center. More than 2,000 visitors last year used the center's computers for school work, job searches, business research, medical information, and recreation. A retail Web site was created to sell Navajo arts and crafts, benefitting Navajo artisans.

Through its water programs, USDA invested $1.36 billion to finance construction, repairs and upgrades in FY 2008. While an infusion of Farm Bill funds may have contributed to the Department exceeding its goals.

USDA has also marketed its water programs aggressively to rural communities. This marketing has created brand-name recognition for its services and financial assistance. Additionally, upgraded underwriting tools have improved the water programs' performance by helping to identify communities with greater loan potential.

Community Facilities (CF) Programs are designed to develop essential community facilities for public use in rural areas. In one instance, USDA approved a package of loans to finance the construction of a replacement hospital in Michigan. The existing critical-access hospital, built in 1953, lacked adequate space and modern facilities to accommodate changing health care needs. The Department approved a $10.4 million CF direct loan and guaranteed another $26.8 million loan. A capital campaign raised $3 million and the Sault Ste. Marie Tribe of Chippewa Indians contributed a 16.5-acre site valued at $1.2 million. The new 110,000-square-foot facility houses 15 acute care beds, 60 long-term care beds, a primary care rural health clinic, a renal dialysis unit and a tribal clinic for the Sault Ste. Marie Indians. The town's rural residents now have access to modern health care.

Home ownership remains important to strong, vibrant rural communities. Local economies strengthen, crime drops, and incomes rise when families settle. USDA's direct and guaranteed housing programs help fill the gap left by private lenders as affordable home financing–especially in rural and remote areas–has largely disappeared. For FY 2008, loan activity hit record levels. The Department provided more homeownership opportunities for rural families than anytime during the past 25 years. In the early 1980s, the average home financed cost less than $30,000, compared to more than $110,000 in 2008.

USDA's housing programs have surpassed the $100 billion milestone. Since the Department began making and, later, guaranteeing home loans in rural areas, more than 2.5 million families have obtained loans or loan guarantees totaling more than $104 billion. In an effort to adhere to the Administration's homeownership initiative, nearly 18 percent of the housing program customers are minorities, who comprise a little more than 13 percent of the Nation's rural population. The performance measure was exceeded as a result.

Analysis of Results

The electric and telecommunications programs fully utilized their FY 2008 loan-lending authority and exceeded their target performance measures.

The water and environmental programs fully utilized their FY 2008 lending authority and exceeded their target performance measures. Projections for FY 2009 and FY 2010 are 1,418,000 and 1,457,000 subscribers, respectively.

The community facilities program met its goal by emphasizing health care and public safety facilities. Department staff provided outreach at national, State and regional conferences, showing its ability to provide facilities at reasonable rates and terms for rural Americans.

The performance of the housing programs far exceeded goals. FY 2008 showed a greatly increased demand for the guaranteed program and lower-than-expected average home costs for the direct program. Significant improvements in program delivery through Guaranteed Underwriting System (GUS) made USDA's Guaranteed Section 502 loans quicker and easier for lenders to obtain. These loans are designed to provide long-term financing at reasonable rates and terms with no down payment.

Equally important, demand increased significantly for one of the few remaining no-down payment, affordable-housing mortgage programs. A record $6.2 billion in guaranteed loans were provided through USDA's Section 502 Guaranteed Loan Program in FY 2008. USDA anticipates a growing need for increased funding in coming years as demand continues to spiral upwards.

Selected Results in Research, Extension, and Statistics

Healthier Homes—Through USDA's "Healthy Indoor Air for America's Homes," 186,025 participants made behavior changes to improve indoor air quality. More than 55,000 homes were tested for radon and another 9,044 were mitigated. Additionally, 40,980 people stopped exposing their children to second-hand smoke and 29,925 people tested their homes for lead.

4-H Proven to have Positive Effects—The 4-H Study of Positive Youth Development showed that 4-H youth were more than one and a half times more likely to expect to go on to college than non-4-H youth. The former also had higher school grades and were more emotionally engaged in school. They also scored significantly higher on six of eight factors related to civic identity and civic engagement.

Agritourism Opportunities for Farm Operators—While farm-based recreation provides an important niche market for farmers, limited empirical information is available on the topic. Two USDA databases provided researchers with a deeper understanding of who operates farm-based recreation enterprises. These activities include hunting and fishing operations, horseback riding businesses, on-farm rodeos, and petting zoos. Recent data showed that approximately 52,000 U.S. farms – 2.5 percent of all farms – received income from farm-based recreation totaling about $955 million.

Exhibit 27: Improving Rural Quality of Life Through Electric Opportunities

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
3.2.1 Number of borrowers/subscribers receiving new and/or improved electric facilities (thousands)	4,326	2,360	8,184	5,826	7,125	8,093	Exceeded

Rationale for Met Range: Annual targets for this measure are based on historical activity and adjusted according to program level received each fiscal year. Met range represents a 5-percent deviation from target.

- Data assessment metrics to meet the target allow for an actual number in the range 6,768-7,481.

Data Assessment of Performance Measure 3.2.1

RD's electric programs data are collected from various Rural Utilities Service (RUS) documents including RUS Forms 740c and 130, Borrower's Statistical Profile, Information Publication 201-1 and the borrower's loan application.

- Completeness of Data—The data are complete and accurate, and collected at the time of loan approval and reported annually.
- Reliability of Data—Applicants are required to report essential data to the RD electric programs. These data are used to administer USDA loan funds and ensure loan security. The electric program is developing a new loan tracking and data collection system as part of the Community Program Application Processing – Electric Programs.
- Quality of Data—Applications are reviewed to ensure the borrower meets the eligibility requirements for the various loans, guarantees and grants offered by RD's electric programs. All approved applications must show feasibility from a financial standpoint and ensure loan security. Loan funds may be used only for the approved purposes for which the loan was made.

Exhibit 28: Improving Rural Quality of Life Through Telecommunication Services

Annual Performance Goals, Indicators and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
3.2.2 Number of borrowers/subscribers receiving new or improved telecommunication services (Broadband) (thousands)	373,813	232,249[1]	297,027	356,440[2]	394,931	755,342	Exceeded

[1]FY 2005 figure was incorrectly reported in the FY 2007 Par as 240,000. It should be 232,249.

[2] The FY 2007 estimate of 1,205,000 reported in the FY 2007 PAR has been replaced with the actual figure of 356,440.

Rationale for Met Range: Annual targets for this measure are based on historical activity and adjusted according to program level received each fiscal year. Met range represents a 7-percent deviation from target.

- Data assessment metrics to meet the target allow for an actual number in the range 367,286-422,575.

Data Assessment of Performance Measure 3.2.2

The county data are collected from each approved loan application. Applicants identify their proposed service territories, including the number of subscribers to be served in the location by county. Measuring the extent to which broadband service is deployed in rural America on a county-by-county basis will enable USDA to assess improved economic conditions. The data on the number of counties to be served for each loan are derived from applicants' loan applications.

- Completeness of Data—Data are based on third quarter data and fourth quarter projections.
- Reliability of Data—Applicants are required to perform market surveys of their proposed service areas, but the actual counties served may vary if all funds are not used or the borrower later requests a change of purpose from the original loan application. Overall, the data are reliable.
- Quality of Data—All applications are reviewed to determine eligibility. These applications must show feasibility from financial and technical standpoints. Applicants must perform market surveys of their proposed service areas. The data depend on the borrower drawing down loan funds and constructing the system as portrayed in the applicant's loan design. Variance may result if a borrower does not draw down all loan funds or request approval for a change of purpose from the original loan, resulting in differences in the number of counties served and the number specified in the plan.

Exhibit 29: Improving Rural Quality of Life Through Water and Waste Disposal Facilities

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
3.2.3 Number of borrowers/subscribers receiving new or improved service from agency funded water facility	965,780	1,325,000	1,637,554	1,332,063[1]	1,380,000	4,361,872	Exceeded

[1] The FY 2007 estimate of 1,457,000 reported in the FY 2007 PAR has been replaced with the actual figure of 1,332,063.

Rationale for Met Range: Annual targets for this measure are based on historical activity and adjusted according to program level received each fiscal year. Met range represents a 5-percent deviation from target.

- Data assessment metrics to meet the target allow for an actual number in the range 1,311,000-1,449,000.

Data Assessment of Performance Measure 3.2.3

The Water and Environmental Programs (WEP) collects data through the Community Programs Application Processing (CPAP) system. CPAP is a non-financial system where agency field staff input data about applicants, borrowers, funding, and services provided. The data obligations flow through the Rural Utilities Loan Servicing System to the Program Loan Accounting System and through a data server to a data warehouse.

- Completeness of Data—CF data are based on third quarter data and fourth quarter projections.
- Reliability of Data—USDA's data warehouse stores historical information on Department programs and such non-agency data as census information. Program data are downloaded to the warehouse every evening from several accounting databases. Data generally are current through the previous day. The warehouse provides obligations data, used to measure the number of loans, loan amounts, number of borrowers, and funds advanced.
- Quality of Data—Based on CPAC information, the number of subscribers receiving new or improved water or wastewater service can be extrapolated from the data warehouse. The WEP National Office and USDA field offices use data from CPAP, the data warehouse and Department accounting systems to review or evaluate the financial, operational, and managerial programs of the utilities serving rural customers.

Exhibit 30: Homeownership Opportunities Provided

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
3.2.4 Homeownership opportunities provided							
Guaranteed Loans	31,751	34,251	31,131	32,481	36,363	54,660	Exceeded
Direct Loans	14,643	11,744	11,041	10,646	10,490	9,474	
Total	46,394	45,995	42,172	43,127	46,853	64,134	

Numbers previously reported were adjusted for the new methodology. Newly revised numbers still meet original targets.

Rationale for Met Range: The range of 10 percent is based on the historical variance from the target during the past several years in the number of houses sold in the Guaranteed and Direct Single Family Housing Loan Programs.

- First figure in each column represents guaranteed loans, the second row is direct loans, and the total is listed in the third row.
- Data assessment metrics to meet the target allow for an actual total number in the range 39,150-47,850 for direct and guaranteed loans combined.

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result

- Excludes an (estimated) 6,150 hurricane supplemental / natural disaster homeownership opportunities (5,780 guaranteed, 370 direct) and homeownership opportunities funded with natural disaster and hurricane supplemental appropriations: FY 2004–2; FY 2005–0; FY 2006–2,475; FY 2007–3,554; FY 2008–6,150.

Data Assessment of Performance Measure 3.2.4

Homeownership data is entered in the Web-based UniFi system. This centralized server application ensures viable data collection. It tracks performance and forecasts needs. Information entered into UniFi also uploads nightly into the MortageServ (a.k.a. Fasteller) system. This system obligates funds, establishes closed loans, administers escrow accounts, manages defaulted loans, and performs other administrative functions. Brio, a query and reporting tool, serves as the interface between the data warehouse and RD staff.

- Completeness of Data—Homeownership data are actual, final, and complete.
- Reliability of Data—Homeownership data originate in systems used to obligate funding and are reliable. Data for initial placement of households into their own homes are reliable. They are linked directly to homeownership loans maintained in USDA's financial accounting systems. No adjustments are made for later defaults and the resulting loss of homeownership.
- Quality of Data—Homeownership data are based on loan obligations collected in the Dedicated Loan Origination and Servicing System, and stored in USDA's Data Warehouse. Thus, the data on the number of households are auditable. Data represent the population served based on available U.S. census information.

Exhibit 31: Improving Rural Quality of Life Through Community Facilities

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
3.2.5 Percentage of customers who are provided access to new and/or improved essential community facilities							
• Health facilities	n/a	3.5%	3.8%	7.2%[1]	5.7%	4.8%	Met
• Safety facilities	n/a	4.1%	3.8%	6.16%[1]	3.0%	5.7%	

[1]The FY 2007 PAR reported 4.25% and 2.87% as third quarter estimates for Health Facilities and Safety Facilities, respectively. They have been updated to reflect the actual percentages.

Numbers previously reported were adjusted for new methodology. Newly revised numbers still meet original targets.

Rationale for Met Range: It is a challenge to measure the range of residents served because each grant may vary widely. One grant for a fire engine could serve 22,000 people whereas the same grant amount for a hospital could serve 22,000. It is difficult, if not impossible, to estimate with any precision a range of residents served. One grant for a fire engine could serve 4,000 people whereas the same grant amount for a hospital could serve 22,000. Therefore, USDA would consider its 2008 goal unmet, if CF serves fewer than 5.0 percent of the rural population with new health care facilities and provides new fire, rescue, and public safety facilities for less that 2.5 percent of the rural population.

- Data assessment metrics to meet the target allow for an actual number in the range 5-6 percent for health facilities and the range 2.5-3.5 percent for safety facilities. The health facilities component of the measure was 0.02 percent short of meeting met range. The health facilities component of the measure exceeded the met range by 2.2 percent. The combined value yields a "met" result.

Data Assessment of Performance Measure 3.2.5

CFprogram data are collected by means of two streams of input. The finance office records and reports total loan and grant obligations as of the date of obligations. These data are collected as part of the obligation process. Additionally, USDA collects information for management and evaluation purposes. Data on delinquency status are reported by the finance office for community facilities direct loans, and by lenders for CF guaranteed loans.

- Completeness of Data—CF program data are complete and final.
- Reliability of Data—CF data are entered into GLS by field staff as the program funds are obligated. They also represent the population served based on available U.S. census information. Population data served by community facilities are estimates. USDA screens data annually for irregularities. Population estimates served by community facilities are based on engineering studies used for the design of new or expanded public utilities systems. The Department is developing mapping technologies to improve the determination of service areas for community facilities.
- Quality of Data—When new programs are authorized, CPAP is used to create data systems that field staff can use to work directly and interactively with applicants. Planned system requirements can be developed quickly. CPAP contains a number of edit checks to enhance reliability. The data are stored and archived nightly at the data warehouse. This manner of developing system plans greatly enhances data reliability since they are integral to program planning.

Challenges for the Future

Challenges related to USDA's electric programs include control of greenhouse gas emissions, addressing State and local support for power plant projects, and legal challenges. Escalating construction and fuel-costs continue to cause economic uncertainty. The demand for increased energy efficiency and conservation will pose both opportunities and challenges.

Modifications to the Rural Broadband Access Loan and Loan Guarantee Program in the 2008 Farm Bill create short-term implementation challenges. Regulations must be revised and telecommunication program staff must develop and conduct outreach on the changes.

More than ever, rural communities must invest in water and wastewater facilities to upgrade aging facilities, meet new environmental quality standards and enhance the security of their operations. As communities increase their investments in water utilities, they must also manage costs better and set appropriate rates to ensure system sustainability. A regional approach to water and waste water service delivery in some rural areas helps address rising costs. Underwriting and meeting funding requirements for these larger regional systems will continue to challenge utilities programs.

USDA is committed to assisting critical-access hospitals in planning, designing, and developing financial packages for renovations or replacement facilities. These facilities are becoming more complex and expensive. The challenge will be to develop a level of expertise that benefits communities the most.

With few other affordable lending products available for rural families, the demand for USDA's direct and guaranteed housing loans have grown and will continue to grow for the foreseeable future. The Department will be challenged to meet the need for rural mortgage funds in times of budgetary constraints.

USDA will also be challenged by further expected increases in the use of guaranteed housing loans by lenders serving rural areas. To meet the increased demand for guarantees without significant increases in overhead, it has developed and introduced the GUS. This automated underwriting system reviews applications and provides commitments electronically. GUS is designed to help mortgage lenders make informed credit decisions on guaranteed rural housing loans. Similar improvements are being studied to streamline the delivery of direct loans.

Strategic Goal 4: Enhance Protection and Safety of the Nation's Agriculture and Food Supply

OBJECTIVE 4.1: REDUCE THE INCIDENCE OF FOODBORNE ILLNESSES RELATED TO MEAT, POULTRY, AND EGG PRODUCTS IN THE U.S.

Measure

4.1.1: Reduce overall public exposure to generic *Salmonella* from broiler carcasses using existing scientific standards

4.1.2: Reduce the overall public exposure to *Listeria monocytogenes* in ready-to-eat products

4.1.3: Reduce the overall public exposure to *E. coli* O157:H7 in ground beef

Overview

Ensuring the safety of the Nation's food supply requires a strong and robust infrastructure coupled with sound science. USDA uses a scientific approach to food safety, incorporating risk analysis critical to combating the ever-changing threats to public health. The Department works to reduce foodborne illness through testing, risk assessments, partnership with its stakeholders, and science-based policy decisions.

USDA monitors and enforces Federally regulated establishments' compliance with its science-based food safety system, the Hazard Analysis and Critical Control Point (HACCP) system. The establishments must also follow other programs and Sanitation Standard Operating Procedures, procedures an establishment uses to prevent the contamination or adulteration of food products. These programs represent USDA's foundation of preventing and controlling contamination of the food supply during slaughter and processing. By placing the responsibility on the slaughter or processing facility to implement systems for monitoring and controlling contamination, the Department can best use its inspection resources to ensure the safety of the Nation's food supply. USDA audits on-site systems and practices, and inspects carcasses and product.

Routine sampling of product for pathogens known to cause serious human illness is a critical element to monitoring the effectiveness of the establishments' HACCP and supporting programs. These pathogens include:

- *Salmonella* in broilers;
- *Listeria monocytogenes* (Lm) in ready-to-eat (RTE) products; and
- *Escherichia coli* (*E. coli*) O157:H7 in raw ground beef.

On-site inspectors collect samples and send them for testing to USDA's field-service laboratories based on a pre-set schedule. Sampling allows the Department to monitor how well establishments control food safety through HACCP, sanitation and supporting programs. USDA focuses on the percentage of positive tests from all establishments and measures the industry's performance as a whole to form the basis of the Department's food safety performance measures.

If a positive is detected at a plant, USDA performs a series of follow-up activities. If the Department determines that the pathogen's presence threatens public health and product has not been held, it works with the establishment in support of the product's recall. Finally, the Department performs a food safety assessment to determine why contamination occurred and requires the plant to develop an action plan to address any problems.

Analysis of Results

The following three measures provide indications that USDA is reducing exposure to pathogens. USDA met the performance target of reducing overall public exposure to generic *Salmonella* from broiler carcasses. The target was 80 percent of broiler establishments in Category 1 based on data ending August 25, 2008 (USDA categorizes slaughter processing plants as Category 1, Category 2, or Category 3 based on their consistency in process control for *Salmonella* reduction. Category 1 represents the most consistent). The Department also met its Healthy People 2010 goal for *Salmonella*. Healthy People 2010 is a national effort to promote health and disease prevention.

USDA also met the performance target of decreasing the percentage of RTE meat and poultry products testing positive for *Listeria monocytogenes.* The FY 2008 target for *Listeria monocytogenes* was 0.27 percent of cases per 100,000 people and the actual performance in FY 2008 is 0.19 percent (as of August 31, 2008). The Department also exceeded the Healthy People 2010 goal for human illnesses due to *Listeria monocytogenes* in RTE products of 0.24 percent of cases per 100,000.

USDA did not meet the performance measure of reducing the presence of *E. Coli* in ground beef. The FY 2008 target was 0.23 percent positive while the performance for *E. coli* in ground beef was 0.48 percent. Likewise, the Department did not meet its Healthy People 2010 goal for illnesses for *E. coli* in ground beef of 0.32 cases per 100,000 people. USDA worked with the affected establishments on recalls of contaminated products. It also conducted almost 300 Food Safety Assessments in ground beef establishments. The target for *E.coli* 0157:H7 was not met in part due to a change in sampling methodology. In order to better represent the public-health risk inherent in high-volume establishments, in January 2008, FSIS began taking into account establishment volume when scheduling establishments for *E. coli* sampling. Higher volume establishments may pose a greater risk to the public if a contamination event occurs, because of the potential for greater public exposure to a pathogen.

Selected Results in Research, Extension, and Statistics

USDA Updates Foodborne Illness Costs—USDA researchers updated the cost of foodborne illness from *E. coli* using the Centers for Disease Control and Prevention estimate of annual cases and newly available data. Updating the costs to 2006 dollars, the Department estimates that the annual cost of illness from *E. coli* was $445 million. This figure includes $405 million for premature deaths, $35 million for medical care and $5 million in lost productivity.

Salmonella Contamination of Tomatoes—In the U.S., tomatoes have become the most implicated vehicle for fresh produce-associated *salmonellosis*. While contamination appears to originate from the fields where the tomatoes were grown or their packing sheds, the contamination route remains elusive. USDA scientists evaluated the role of contaminated soil. They found results suggesting that such events as flooding, contaminated compost or fecal contamination by animals could lead to subsequent crop contamination, even though time may pass between the contamination event and planting.

Exhibit 32: Pathogen Reduction (Food Inspection)

Annual Performance Goals, Indicators, and Trends		2004	2005	2006	2007	Fiscal Year 2008		
						Target	Actual	Result
4.1.1	Reduce overall public exposure to generic *Salmonella* from broiler carcasses using existing scientific standards	n/a	n/a	45% of Category 1 Industry	71% of Category 1 Industry	80% of Category 1 Industry	80% of Category 1 Industry	Met
4.1.2	Reduce the overall public exposure to *Listeria monocytogenes* in ready-to-eat products	n/a	0.28%	0.24%	0.23%	0.27%	0.19%	Met
4.1.3	Reduce the overall public exposure to *E. coli* O157:H7 in ground beef	0.04%	0.21%	0.40%	0.28%	0.23%	0.48%	Unmet

FY 2008 Data reflects the volume adjusted percent positive rate, better estimate population exposure to pathogens, which may differ from the non volume adjusted percent positive rates reported in prior years.

Rationale for Met Range: This measure targets reducing human foodborne illness rates from *E. coli* O157:H7 in ground beef. USDA's FY 2013 goal is 0.17 cases per 100,000. USDA met its Healthy People 2010 goal for *E. coli* illnesses from ground beef as of FY 2007.The Department aggressively set its FY 2013 goal at 50% under the goal. To reach its FY 2013 goal, USDA has set its FY 2008 performance objective as 0.27 cases per 100,000 or a volume adjusted percent positive rate of 0.23. A lower number of cases indicates better performance.

- 4.1.1: Data assessment metrics to meet the target range is 80% of industry in Category 1.
- 4.1.2: Data assessment metrics to meet the target range is 0.27 cases per 100,000.
- 4.1.3: Data assessment metrics to meet the target range is 0.23 cases per 100,000.

Data Assessment of Performance Measures 4.1.1, 4.1.2 and 4.1.3

Through consultations with our stakeholders, USDA continuously examines the Nation's changing food safety system and practices, and articulates a long-term view in regard to the Department's performance and the benefits to public health. The Department also monitors its performance against the Healthy People 2010 goals for these three critical pathogens -- *Salmonella, Lm* and *E. coli* O157:H7. The Department developed an attribution model to determine what percentage of all *Salmonella, Lm*, and *E. coli* O157:H7 illnesses result from Department-regulated contaminated products.

- Completeness of Data—Results are based upon USDA's laboratory results analyzed as of August 31, 2008, for the selected ready-to-eat products at regulated establishments. The results provided as of August 31, 2008, are the best available indication of the FY 2008 fourth quarter results. Quarterly and annual data are based on sampling at a range of establishments from very small to large.
- Reliability of Data—The data are reliable because it is based on testing and verification from the Department's field service laboratories for regulated establishments. Each positive sample is subjected to highly specific verification testing. The primary goal of these sampling programs is to monitor how well each establishment is maintaining control of food safety through its HACCP, sanitation and supporting programs. The percent of these routine, scheduled tests that return a positive (the percent-positives) result across all of the establishments is an important measure of the performance of the industry as a whole to form the basis of the Department's food safety performance measures. If the presence of the pathogen represents a threat to public health and product has not been held, we work intensely with the establishment in support of their recall of the affected product. Finally, the Department performs a Food Safety Assessment to identify the underlying causes of the breakdown in the plant's food safety control programs, and requires an action plan from the plant to address these problems. Performance shortfalls may occur due the Department consistently setting aggressive goals to measure its performance in food safety and its focus on verifying each plant's food safety system. In addition, it has redesigned its sampling and test program to target the establishments that represent the highest risk.
- Quality of Data—The volume adjusted data show that these measures historically correlated with the Centers for Disease Control and Prevention foodborne illness outbreak data.

Challenges for the Future

The Department will continue to verify the adequacy of each establishment's HACCP system and supporting programs and their conformance with those programs, and to monitor the pathogen levels in product destined for consumers. Particular emphasis will continue to be placed on *E. coli* O157:H7. This systemic approach involves all parties in the production chain, through slaughterhouses, processors, retailers, and consumers. The Department will continue to strive in the multitude of activities necessary to protect the Nation's supply of meat, poultry, and processed egg products.

Objective 4.2: Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks

Measure 4.2.1: Number of significant introductions of foreign animal diseases or pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals or humans

Overview

Key Outcome

A Secure Agricultural Production System and Healthy Food Supply

USDA provides a secure agricultural production system and healthy food supply for U.S. consumers. This is done by reducing the number and severity of pest and disease outbreaks by:

- Safeguarding animal and plant resources against the introduction of foreign pests and diseases;
- Detecting and quickly responding to new invasive species and emerging agricultural health situations;
- Eradicating or managing existing agricultural pests and diseases and wildlife damage; and
- Developing and applying more effective scientific methods.

The Department has several programs that focus on this goal each with its own set of performance measures. As an indicator of success in FY 2008, one performance measure has been selected to represent the range of activities conducted by its programs–the Animal Health Monitoring and Surveillance (AHMS) Program. It evaluates and enhances disease control and eradication programs. AHMS monitors surveillance activities to detect incursions of foreign and emerging animal diseases. AHMS also monitors international disease trends and threats, and provides timely and accurate animal health information. This work is designed to prevent the introduction of foreign animal diseases. If such diseases enter the country, AHMS works to prevent their spread. The program seeks to minimize economic and environmental damage, and threats to the health of animals or humans.

Analysis of Results

USDA met its target related to animal disease outbreaks in FY 2008. USDA developed animal-health monitoring and surveillance systems to ensure success in future years. These two systems, the National Animal Identification System (NAIS) and the Comprehensive Surveillance System (CSS), are discussed below.

NAIS is a voluntary, cooperative Federal, State, and industry program designed to enhance the response to highly contagious diseases, especially those that can be transmitted to humans. A fully implemented system will include a 48-hour "trace back" and a "trace forward" capability. Trace back will allow agricultural and public health officials to trace the origin of sick animals and determine if other animals have come into contact with the infected ones. NAIS provides for the registration of animal premises, the identification of animals by standardized devices, and the development of information systems for tracing animal movements.

By the end of June, NAIS had 471,299 premises under registration. USDA authorized 7 manufacturers of animal-identification devices to produce 15 devices for use in the NAIS program. The Department has endorsed technology standards published by the ISO. USDA has developed a single information portal, called the Animal Trace Processing System (ATPS). This system will enable State and Federal animal health officials to obtain information from Animal Tracing Databases (ATDs). Currently, State and private ATDs are coming online and being integrated with the ATPS portal.

To uncover contaminations, USDA uses CSSs. The Department made progress on CSS components for *classical swine fever* (CSF) and *pseudorabies virus* (PRV). (CSF is a highly contagious virus that affects swine. PRV is a contagious herpes virus that causes reproductive and respiratory problems, and occasional deaths in swine.) USDA approved a PRV surveillance plan that will be implemented in FY 2009. Leading up to this milestone, 14 slaughter plants participated in the Department's Market Swine Surveillance System. USDA sampled swine slaughtered at these plants for *Porcine Reproductive and Respiratory Syndrome* (PRRS). PRRS causes reproductive failure in adult female pigs, reduced-growth and pneumonia in nursing pigs, and premature death in swine herds. The disease is an emerging threat to domestic swine populations. The Department also used the Market Swine Surveillance Stream to develop data on other swine diseases.

Additionally, the Department has enhanced and maintained the capability of its personnel. These employees are charged with responding to the threat of a catastrophic animal disease outbreak. USDA conducted a training-needs analysis to assess their knowledge, skills, and abilities to respond to animal-health emergencies. This analysis will be used to identify gaps to be closed.

Two of the most important potential emergencies looming are *Highly Pathogenic avian influenza* (HPAI), or "bird flu," and *foot-and-mouth* disease (FMD). HPAI is an extremely infectious and fatal form of the bird flu for chickens. FMD is a severe, highly contagious viral disease of cattle and swine. Should an outbreak of either of these two occur, USDA will need to collaborate with State and local organizations to respond appropriately. The Department revised its national emergency response objectives and plans for these two diseases. The emergency plans provide specific guidelines, actions, timelines, and checklists to help Federal, State and local responders in the event of an outbreak. USDA conducted a successful National Veterinary Stockpile (NVS) deployment exercise with the State of California. The NVS exists to augment State, and local resources. Under NVS, the Department will deploy sufficient amounts of animal vaccine, antiviral, and therapeutic products within 24 hours of a serious outbreak.

Determining the performance result involves: (1) routine monitoring and surveillance of world animal health problems; (2) investigating reports identifying any new introduction of a significant foreign animal disease (FAD); testing to determine the extent of spread; and (3) evaluating the severity of the damage.

(1) Notice of the need to investigate a FAD may come from a wide variety of sources. USDA veterinarians observe thousands of animals daily for FADs while conducting surveillance and eradication activities for the agency's domestic animal disease programs. USDA also provides specialized FAD training to approximately 60,000 veterinarians working in private practice, State Governments and universities through its National Veterinary Accreditation Program. These veterinarians notify the Department when they observe an animal(s) showing signs of a FAD. All reported animals are quarantined and samples are submitted to the National Veterinary Services Laboratories (NVSL). The National Animal Health Monitoring System (NAHMS) conducts planned surveys of diseases likely to impact production and marketing. Specific causes of loss by age group within each commodity are gathered. Besides conducting domestic surveys, USDA also deploys animal health professionals overseas to collect surveillance information on FADs to prevent them from entering the United States.

(2) Foreign Animal Disease Investigations and Testing: USDA set a target of 700 FAD investigations for FY 2008. When a disease is reported and confirmed, area-wide testing is conducted around the foci of infection. Investigators use statistically significant diagnostic samples. The samples are tested in USDA or USDA-approved laboratories. Testing data are recorded in the Emergency Management Response System (EMRS), NAHMS and the National Animal Health Reporting System. All susceptible animals within an appropriate distance of the foci of infection are tested. The appropriate area for testing is determined using data regarding disease agents and how those agents are spread, either through the air or by biological or mechanical means. Investigators also consider the anticipated expectations of trading partners regarding testing and surveillance. The anticipated spread rate is based on weather conditions and movements or contacts on and off of the affected premises. Animals that test positive or have known exposure are retested until the quarantine is removed or they are destroyed. If there are limited numbers of animals around the foci of infection, the testing area may be expanded to ensure that no animals are infected. This move will allow investigators to perform trace-out investigations and test all animals from the foci herd. Sampling focuses on clinical suspects, fallen stock or casualty slaughter. Censuses are completed or requests made that the public report any sick animals meeting a particular case description. Sampling data is entered into NVSL databases, EMRS and National Animal Health Laboratory Network (NAHLN) databases. NVSL validates all samples found positive by other network laboratories.

(3) Reporting and Summarizing Results: Veterinarians on USDA's emergency management staff receive data and analyze them. They apply criteria to determine if the introductions are significant and have spread. Introductions of agents listed by the World Organization for Animal Health and considered to be foreign to the United States are reported to that body.

Selected Results in Research, Extension, and Statistics

Leading the Way to Prevent *Avian Influenza*—The threat of a pandemic outbreak of the *avian influenza* H5N1 continues. The emergence of *avian influenza* costs the commercial poultry industry millions of dollars annually. These events consist of the low pathogenic strain of the virus which does not threaten humans. Its continued presence in the poultry industry increases the likelihood of a shift to the high pathogenic strain. The National Research Initiative *Avian influenza* Coordinated Agricultural Project brought together 19 States and 23 institutions to tackle this problem. In only three years, the program has made considerable progress in preventing and controlling virus in the U.S. The program has made considerable progress in preventing and controlling virus in the United States. Two new internally available diagnostic tests are available. Two training programs share the latest information with poultry industry and game bird producers. The team developed equipment disinfection methods to inactivate the virus. The project has succeeded in determining interspecies viral transmission and pathogenesis involving wild aquatics to domestic poultry, swine, and turkeys. The team also identified four major wild bird migratory flyways over the United States. All of these steps will provide further protection to mitigate incidences before they become national problems.

Information System Saves Crops and Money—USDA funds the Integrated Pest Management (IPM) Pest Information Platform for Extension and Education (PIPE). This monitoring and early-warning system advises farmers and others of the status of Asian Soybean Rust (SBR). SBR, a recently discovered and devastating soybean disease, entered the continental U.S. in 2004. Two years later, IPMPIPE focused on soybean rust and aphids. It was expanded in 2007 to include pests and diseases of all other legume and pulse crops. The information provided by this highly trusted and widely adopted system (more than a million hits in July 2005) reduced production costs for U.S. soybean farmers by as much as $299 million. It also minimized non-target exposure of pesticide applicators and the environment.

Saving the Nation's Pollinators—USDA learned that queen bees who mate with multiple males produce colonies with genetic diversity. This diversity improves resistance to microbial diseases in their colonies. It also allows these colonies to more effectively survive winter and produce swarms the following season because of improved fitness. This investigation shows the tremendous need to provide virgin queens with a large and genetically diverse population of drones for mating. Queens that cannot find numerous and diverse mates will produce colonies vulnerable to microbial diseases.

USDA Area-wide biological control program to manage *Melaleuca quinquenervia* in Florida is successfully completed—The weedy tree Melaleuca is one of the Florida Everglades ecosystem's worst enemies. The tree causes almost $168 million in environmental losses annually. USDA created the Area-wide Management and Evaluation of Melaleuca project. This project promotes Melaleuca management and integrates biocontrol into other current management strategies. The project deployed three highly effective biocontrol agents in the form of self-perpetuating and self-dispersing insects. Surveys have shown that 85 percent of program participants now use the biocontrol insects. Melaleuca has almost disappeared from public lands because of this effort.

Exhibit 33: Reduce the Number and Severity of Pest and Disease Outbreaks

Annual Performance Goals, Indicators and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
4.2.1 Number of significant introductions of foreign animal diseases or pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals or humans	0	0	0	0	0	0	Met

Rationale for Met Range: These foreign animal diseases could have significant economic impact and animal health consequences. USDA seeks to prevent the spread of every single one.

- Data assessment metrics to meet the target is 0 introductions.

Data Assessment of Performance Measure 4.2.1

- Completeness of Data—The data are complete when the scheduled testing is finished; the samples are analyzed and the quarantined animals are tested and released. The cutoff for the data is set at one month before the reporting date.
- Reliability of Data—The data are considered reliable when USDA's Deputy Administrator of Veterinary Services has reviewed and approved them.
- Quality of Data—The issues related to collection and reporting of performance information are described above.

Challenges for the Future

USDA faces many challenges in its efforts to reduce the number and severity of pest and disease outbreaks. Every year, the flow of animals, plants, and host material from abroad increases. This growth creates new pathways into the country. The social and biological environment in which Federal efforts must be coordinated is becoming more complex every year. Agencies must stay informed about new technologies. For each of these challenges, USDA has developed strategies. One of them is to monitor and survey the land in cooperation with States and industry. Another is to gather and update pest and disease information world wide. When learning of a possible threat, the Department conducts science-based, early-detection, and rapid response efforts. It creates and enforces regulations to prevent the entry and spread of invasive species. USDA also develops new networks and tools in collaboration with States, universities, and the private sector.

Measure 4.2.2 Improve the capabilities of animal and plant diagnostic laboratories

Overview

Key Outcome

Improve Animal and Plant Diagnostic Laboratory Capabilities

The National Animal Diagnostic Network and Plant Diagnostic Network Centers ensure timely disease detection. They also maintain a nationally accessible database of pests and diseases. This database allows USDA to identify new pests and diseases, and take all necessary steps should an outbreak occur. Measuring improvements in the capabilities of plant and diagnostic laboratories serves as a representative measure for assessing performance in these fields of scientific research.

Analysis of Results

The performance target was met. Trend data show a steady increase in the number of plant and animal diseases the networks can detect. Additionally, USDA continues to improve the capabilities of plant and diagnostic laboratories. In FY 2008, USDA added Potato Cyst Nematode to its list of plant and insect diseases for which it has developed detection criteria. Potato cyst nematode, a major potato-crop pest, can cause up to 80 percent yield loss. It joins soybean rust, sudden oak death, Ralstonia stem rot, plum pox virus, pink hibiscus mealybug, potato wart, and huanglongbing (citrus greening) on the detection criteria list.

The Department also has animal disease-detection criteria for nine high-consequence diseases. Scientists have added *Rift Valley Fever* to this list. This fever-causing disease affects livestock (including cattle, buffalo, sheep, and goats) and humans. NAHLN personnel participated in training to develop the diagnostic capability for this disease. NAHLN is part of a national strategy to coordinate the Nation's Federal, State, and university laboratory resources.

USDA agencies partner with State agencies and universities to achieve a high level of agricultural biosecurity. This process is completed through the early detection, response and containment of outbreaks of invasive pests and diseases. The diagnostic laboratories, adequately staffed and stocked with cutting-edge technology, are essential to accomplishing this mission.

Exhibit 34: Ensure the Capabilities of Plant and Diagnostic Laboratories are Improved

Annual Performance Goals, Indicators and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
4.2.2 Improve the capabilities of animal and plant diagnostic laboratories: • Specific Plant diseases labs are prepared to detect	3	5	6	7	8	8	Met
• Specific Animal diseases labs are prepared to detect	6	7	8	8	9	9	Met

Data Assessment of Performance Measure 4.2.1

- The National Plant Diagnostic Network (NPDN) and the National Animal Health Laboratory Network (NAHLN) work to detect and diagnose disease outbreaks. They study a number of high-consequence pests, bacterial, parasitic and vital pathogens, and disease threats. Their subjects affect animal, plant and human health, and impact the national economy.
- Completeness of Data—The data are based on actual information reported by NPDN and NAHLN.
- Reliability of Data—The data are considered reliable.
- Quality of Data—Data are projected based on historical performance. The target information uses data dependent upon the baseline projections. Any inaccuracies in the projections would impact the accuracy of the value. The following five dimensions are assessed when a high consequence disease/pest qualifies as one that NPDN or NAHLN are prepared to detect and diagnose.

- Is the disease/pest a significant threat to animal, plant or human health and/or impact the national economy?
  - Is there a valid diagnostic test or other means of reliable diagnosis for the disease/pest?
  - Does the laboratory network have the capability/capacity to perform the valid diagnostic test or other means of reliable diagnosis?
  - Does the network have the partnerships in place to generate the samples required to detect/diagnose the disease/pest?
  - Does the network have the partnerships and/or autonomous capacity in place to provide necessary outreach regarding the disease/pest?
- USDA assesses the progress/qualification on these five dimensions based on feedback from its partners and stakeholders. This feedback is generated through formal progress reports, meeting minutes, and less formal one-on-one correspondence.

Challenges for the Future

Future challenges to improving laboratory capabilities include making non-Federal funding available. This funding could be used to expand laboratories in each State, increase the number of screened diseases and their detection criteria, and ensure that more strategically located laboratories are prepared to deal with geographically relevant disease threats. Improving plant laboratory quality assurance and first-detector training also poses a challenge. Plans are underway to build an advanced quality-assurance system. Improved first-detector training will improve laboratory sample quality and speed initial detection of high-consequence pathogens.

Strategic Goal 5: Improve the Nation's Nutrition and Health

Nutrition is the link between agriculture and the Nation's health. USDA's leadership of the Federal nutrition assistance programs made a healthier diet available for millions of children and low-income families. Additionally, the Department's cutting-edge nutrition promotion efforts harnessed interactive technologies to motivate all Americans to make positive dietary behavioral changes, in line with the *Dietary Guidelines for Americans* and the President's HealthierUS initiative. The Guidelines provide authoritative advice about how good dietary habits can promote health and reduce risk for chronic diseases. The HealthierUS initiative's goal is to help Americans live longer, better, and healthier lives.

Key FY 2008 accomplishments include:

- **Promoting Access to the Food Stamp Program (FSP)**—FSP–which was renamed the Supplemental Nutrition Assistance Program (SNAP) through the 2008 Farm bill–is the Nation's largest nutrition assistance program, serving more than 28 million people monthly. The most current information on the participation rate showed that in 2006, 67 percent of those eligible for FSP participated compared with 54 percent in 2001;
- **Promoting the MyPyramid Food Guidance System**—MyPyramid.gov's Web-based educational tools help Americans assess and personalize their diet and physical activity plans. FY 2008 marked the debut of the MyPyramid Menu Planner. The planner is designed to help individuals and family nutrition "gatekeepers" plan more healthful menus and determine daily, weekly, and monthly consistency with the recommendations of the *Dietary Guidelines for Americans* and the MyPyramid Food Guidance System. Consumers continue to respond enthusiastically to this educational approach. They accessed MyPyramid.gov and used other nutrition–interactive, Web-based tools more than 5 billion times; and
- **Continuing to Ensure That Food Stamp Benefits Are Issued Accurately**—In the most current data available, the FSP payment accuracy rate for FY 2007 reached a record-high 94.4 percent. That number reflects effective partnerships with State administering agencies. It also shows the extensive use of policy options to streamline program administration while improving access for working families.

Objective 5.1: Ensure Access to Nutritious Food

Measure 5.1.1: Participation levels for the major Federal nutrition assistance programs

Overview

Key Outcome
Reduce hunger and improve nutrition

USDA's commitment to the nutrition assistance programs represents the core of the Nation's effort to improve food security and reduce and prevent hunger. The Department looks to ensure that all eligible Americans who wish to participate can receive program services easily and with dignity and respect. The programs' solid performances in FY 2008 reflect their fundamental strengths. They also demonstrate USDA's efforts to promote access and improve service to its clients in cooperation with State partners.

Analysis of Results

As program participation is voluntary, projections are based on economic and other factors that impact the likely behavior of eligible populations. An analysis of the most recent information available follows.

Food Stamp Program—The program served approximately 28 million participants monthly, an increase of about 7.7 percent from FY 2007. USDA executed a range of efforts to support and encourage food stamp participation, including:

- Securing key improvements to food stamps in the 2008 Farm Bill. These improvements include Administration proposals to exclude the value of retirement and educational savings accounts, military combat pay, and all dependent care expenses from food stamp eligibility determination, which increased access for some low-income families;
- Efforts with States to develop outreach strategies. More than 60 percent of States have formal outreach plans or other documented outreach activities in place;
- Support for innovative State practices to promote access by simplifying the application process. The most current data show that 21 States have Internet-based application filing. 25 States allow recertification interviews to be done by telephone while another 18 states have call centers. Additionally, nine states have waivers to allow initial certification interviews to be done by telephone; and
- The debut of a new publication, *Eat Right When Money's Tight*. The publication offers low-income families tips on thrifty shopping, meal preparation, and the availability of food stamps, and other nutrition-assistance programs. It serves as a critical tool for low-income families facing rising food costs.

USDA also measures the number of people eligible for the program to determine the rate at which eligible people are participating. The most recent data show that in 2006, 67 percent of those eligible for FSP participated, a substantial increase from the previous year. Additionally, participants received 83 percent of all food stamps available if every eligible person participated. This number shows that FSP is effectively reaching those most in need.

National School Lunch Program (NSLP)—Program participation levels reached 31.5 million in FY 2008, up slightly from FY 2007. This number continues the trend of increases in recent years. More than 100,000 schools and residential child-care institutions used NSLP in FY 2008.

School Breakfast Program (SBP)—Program participation levels reached 10.8 million in FY 2008, up more than 6 percent from FY 2007. This number continues a trend of increases over the last several years. More than 85,000 institutions used SBP in FY 2008. USDA continues to support and encourage program participation in FY 2008 by:

- Promoting SBP through outreach activities and materials;
- Working with organizations and partners to develop strategies for program expansion; and
- Developing school breakfast outreach materials for schools and parents.

Trend data also indicate that the proportion of all children enrolled in schools who participate in SBP has risen slowly but steadily in recent years. This growth reflects USDA's continuing efforts to encourage schools to operate the program.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) —Approximately 8.7 million participants received WIC benefits. USDA continued to support and encourage WIC participation, and improve benefits and services by:

- Maintaining the Administration's commitment to ensure adequate funding to support participation by all eligible people who seek services; and
- Completing a historic update to the standards for WIC food benefits – the first major changes to the WIC food packages since 1980. These new packages will be aligned with the 2005 *Dietary Guidelines for Americans* and infant feeding practice guidelines of the American Academy of Pediatrics. These important steps will keep the program optimally aligned to meet today's nutrition needs.

Selected Results in Research, Extension, and Statistics

Healthier Food Research—Researchers investigated the effects of post-harvest treatments and storage conditions on antioxidant availability in wheat-based food ingredients. They also studied the effects of food-processing conditions on the availability/bioavailability of wheat antioxidants in functional food, specifically whole-wheat pizza crusts. The research findings suggest the availability of health beneficial antioxidants in wheat-based functional foods may be enhanced by optimizing post-harvest treatments, storage conditions and food formulation, and processing techniques without significant extra effort or cost. These findings provide a scientific basis to promote the production and consumption of wheat-based functional foods in general.

Household Food Security in the U.S.—Food security for a household means that its members have enough food for an active, healthy life. To inform policymakers and the public about the extent to which U.S. households consistently have economic access to food, USDA publishes an annual statistical report on household food security in the U.S. The report and its underlying data are widely used by Government agencies, the media and advocacy groups. The groups use the data to monitor the extent of food insecurity in this country, progress toward national objectives and performance of USDA's food-assistance programs. Results showed that 89 percent of American households were food secure throughout 2006. The remaining 11 percent were food insecure at least some time during that year.

Offset of obesity transmission from mother to infant—The incidence of obesity among children has tripled in the past few decades. Additionally, the role of genes has been hotly debated because not enough time has passed for the genes to have changed. USDA scientists showed in a mouse model that the genetic tendency for obesity increases through successive generations. They add that the rise can be prevented by increasing a combination of the dietary nutrients folic acid, vitamin B12, betaine, and chlorine. The fundamental change was established as epigenetic rather than genetic, meaning that instead of changes in the genetic make-up, other inherited mechanisms affected by diet silenced the gene causing obesity. These results offer an explanation of the inherited tendency to obesity and a way in which proper diet can offset that predisposition.

Exhibit 35: Improve Access to Nutritious Food

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
5.1.1 Participation levels for the major Federal nutrition assistance programs (millions per month):							Met
• Food Stamp Program Avg. (Monthly)	23.9	25.7	26.7	26.5	27.8	28.1	
• National School Lunch Program Avg. (Daily)	29.0	29.6	30.1	30.5	31.6	31.5	
• School Breakfast Program Avg. (Daily)	8.9	9.3	9.8	10.2	10.8	10.8	
• WIC Program (Monthly)	7.9	8.0	8.1	8.3	8.5	8.7	

As of May 31, 2008.

- Rationale for Met Range: Thresholds for 5.1 reflect the margin of error in forecasts of future participation. For food stamp participation, results from 2 independent assessments suggest that predictions of the number of food stamp participants are accurate to within plus-or-minus 7.5 percent (on average). The threshold range for the school meals and WIC participation levels are 5 percent and 3 percent respectively. This reflects the pattern of variance between actual and target performance for both programs over the past five years.
- Data assessment metrics to meet the target allow for an actual number in the range (in millions) 25.7-29.9, 70 for the Food Stamp Program, 30.0-33.2 for the National School Lunch Program, 10.3-11.3 for the School Breakfast Program and 8.2-8.8 million for the WIC program.

Data Assessment of Performance Measures 5.1.1

Participation data are drawn from USDA administrative records. State agency reports are certified accurate and submitted to regional offices. There, they are reviewed for completeness and consistency. If the data are acceptable, the regional analyst posts them to the National Data Bank (NDB) Preload System. NDB is a holding area for data review prior to release. Otherwise, regional-office personnel reject the report and the State agency is contacted. Data posted by regional personnel into NDB are reviewed at USDA. If data are reasonable and consistent with previous reports, they will be downloaded to NDB for public release. If not, USDA works with regional offices and States to resolve problems and inconsistencies. This process of review and revision ensures that the data are as accurate and reliable as possible.

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result

- Completeness of Data—Figures for FSP and WIC participation represent 12-month fiscal year averages. Figures for NSLP and SBP are based on nine-month (school year) averages. Participation data are collected and validated monthly before being declared annual data. Reported estimates are based on data through April 2008, as available July 25, 2008.
- Reliability of Data—The data are highly reliable. Participation-data reporting is used to support program financial operations. All of the data are used in published analyses, studies and reports. They also are used to support dialogue with and information requests from the Government Accountability Office (GAO), the Office of Inspector General (OIG) and the Office of Management and Budget.
- Quality of Data—As described above, the data used to develop this measure are used widely for multiple purposes, both within and outside USDA. The measure itself is reported in stand-alone publications as an important, high-quality indicator of program performance.

Challenges for the Future

Studies and analyses show that there continue to be large numbers of eligible people who do not participate in Federal nutrition assistance programs. Many may not be aware of their eligibility. Thus, efforts to improve access to and promote awareness of these programs are an ongoing challenge. Additionally, USDA must seek improvements in policy and operations to make these programs easier to apply.

The quality of program delivery by third parties—hundreds of thousands of State and local Government workers and their cooperators—is critical to USDA efforts to reduce hunger and improve nutrition. USDA's ongoing efforts in partnership with these entities must always focus on customer service, ease of access to benefits, and efficiency.

The Department and its delivery partners sustained effective program access in FY 2008. USDA saw greater-than-targeted participation in FSP and the WIC. The latter program provides Federal grants to States for supplemental foods, health care referrals, and nutrition education for low-income pregnant, breastfeeding and non-breastfeeding postpartum women, and to infants and children up to age five found to be at nutritional risk. SBP posted expected levels of average monthly participation in the States. SBP provides cash assistance for States to operate nonprofit breakfast programs in schools and residential childcare institutions. The NSLP saw slightly lower-than-targeted (but well within expected performance) average participation. NSLP provides nutritionally balanced, low-cost or free lunches to children each school day.

Objective 5.2: Promote Healthier Eating Habits and Lifestyles

Measure 5.2.1: Application and usage level of nutrition guidance tools

Overview

Key Outcome

Promote More Healthful Eating and Physical Activity across the Nation

Good nutrition and physical activity are vital to reducing the risk of death or disability from a wide range of chronic, diet-related illnesses. USDA uses Federal nutrition policy and nutrition education to provide scientifically based information about healthful diets and lifestyles.

The *Dietary Guidelines for Americans*, developed jointly by USDA and the Department of Health and Human Services, provide advice about food choices that promote health and prevent disease. The former's *MyPyramid* food guidance system (mypyramid.gov) provides educational tools to help Americans take the necessary "Steps to a Healthier You." These steps offer a wide range of cutting-edge information tools, including a personalized eating plan.

USDA uses partnerships and "information multipliers" to maximize the reach and impact of its interventions, both within Federal nutrition-assistance programs and the general public. These information multipliers include shopkeepers who post public-service messages in their shops and school teachers who teach their students about nutrition.

Analysis of Results

To meet the needs of the general population, USDA continued its leadership role in the promotion of nutrition guidance through educational tools designed to motivate people to live healthier:

- Distributing more than three billion pieces of nutrition guidance materials via the Web and print. Additionally, registrations continue to increase for the *MyPyramid* Tracker. *MyPyramid* has averaged more than two million active registrations since 2005;
- Launching a groundbreaking, collaborative effort to magnify the communication of dietary and physical activity guidance messages. The new Partnering with *MyPyramid*: Corporate Challenge showcases the role of various industries as partners with Government to encourage healthier eating habits and more physical activity among families. The challenge is designed to empower nutrition gatekeepers by providing easy-to-apply guidance for a healthy lifestyle. It also provides information to help them make healthy food choices for themselves and their families where they prepare foods, work, play and buy groceries; and
- Unveiling the *MyPyramid* Menu Planner. The online menu planner shows whether a given individual's diet is balanced and consistent with the *Dietary Guidelines for Americans*. It also advises ways for individuals to learn and adjust their diets to meet the dietary recommendations. The planner tracks an individual's diet and helps that individual plan meals.

Additionally, the Department advanced a number of important initiatives to promote healthy diets in nutrition assistance programs. Key accomplishments include:

- Continued use of nutrition education in the Food Stamp Program to promote healthy food choices and physically active lifestyles. One educational tool includes the popular Loving Your Family, Feeding Their Future. This comprehensive nutrition education intervention, available in English and Spanish, is for low-income people of limited literacy. The tool is designed to motivate its users to improve their families' eating and physical activity behaviors;
- Expanding and improving the *HealthierUS* Challenge. This program encourages schools to take a leadership role in helping students make healthy eating and lifestyle choices. The challenge establishes guidelines for schools that promote healthy nutrition. USDA recently announced new HealthierUS criteria that have been updated and revised to reflect the *Dietary Guidelines for Americans*. The Department also developed a new Gold Award of Distinction to recognize schools that exceed the regular requirements. USDA recognized more than 90 schools through the challenge this year;
- Engaging an expert panel to recommend updates to requirements for school meal programs. The updates were based on the *Dietary Guidelines for Americans* and related nutrition requirements; and
- Awarding a grant to the National Academies' Institute of Medicine to support the review of the dietary reference intakes for vitamin D and calcium. The Dietary Guidelines Advisory Committee recognized these two nutrients, considered vital for a healthy diet, as a concern for the specific population groups.

Selected Results in Research, Extension, and Statistics

EFNEP Continues to Yield Valuable Results for Participants—The Expanded Food and Nutrition Education Program (EFNEP) is designed to assist limited resource audiences in acquiring the knowledge, skills, attitudes and behavioral changes necessary for nutritionally sound diets. EFNEP continues to be highly effective. Ninety-one percent of adult participants improved their dietary intake, 88 percent of these participants improved at least one nutritional practice and 83 percent reported that they improved at least one or more food resource management practice. Seventy-one percent of youth EFNEP participants now eat a variety of foods, 71 percent of the youth increased their knowledge of essentials of human nutrition and 64 percent of youth respondents improved practices in food preparation and safety.

Could Behavioral Economics Help Improve Diet Quality for Nutrition Assistance Program Participants?—This study uses behavioral economics, food marketing and psychology to identify possible options for improving the diets and health of participants in Federal food-assistance programs. Findings from behavioral and psychological studies indicate that people regularly and predictably behave in ways that contradict some standard assumptions of economic analysis. Recognizing that consumption choices are determined by factors other than prices, income and information, the study shows that different strategies influence consumers' food choices. These strategies expand the list of possible ideas for improving the diet quality and health of participants in USDA's food-assistance programs.

Exhibit 36: Promoting Healthier Eating Habits and Lifestyles

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
5.2.1 Application and usage level of nutrition guidance tools (pieces of nutrition guidance distributed, Billions)	n/a	n/a	1.5	2.6	2.7	3.2	Exceeded

Rationale for Met Range: Thresholds reflect trends of MyPyramid.gov "hits" and print materials distributed (MyPyramid and the Dietary Guidelines for Americans).

- Data assessment metrics to meet the target allow for an actual number in the range 2.3-2.7 Billion.

Data Assessment of Performance Measures 5.2.1

Data on the application and usage level of nutrition guidance tools are drawn from electronic records associated with http://www.mypyamid.gov/MyPyramid.gov, survey analysis and records at headquarters and inventory control at the distribution center used by USDA's Center for Nutrition Policy and Promotion.

- Completeness of Data—Data related to MyPyramid.gov are collected instantaneously, indicating the number of e-hits to the Web site and registrations to MyPyramid Tracker. For print materials, data from national headquarters and a distribution center are also complete. This information representing the difference between what was distributed versus what remains in the inventory.
- Reliability of Data—The data are highly reliable. The number of hits is instantaneously recorded, the on-line survey is continual and well-tested, and the number of distributed print materials is tracked.
- Quality of Data—The data are used to report on the success of the *MyPyramid* Food Guidance System, and our high quality indicators of the degree to which USDA promotes, and customers respond to, interactive tools and print materials designed to help Americans personalize their diets.

Challenges for the Future

While USDA's goal to address and prevent obesity begins with understanding what constitutes a healthy diet and the appropriate balance of exercise, success requires individuals to change their diets by modifying their eating behavior. Crafting more effective messages and nutrition education programs to help people make better food choices requires understanding their current choices and the relationships between these choices and their attitudes, knowledge and awareness of diet/health links.

The ability of existing nutrition guidance and promotional materials to achieve behavior change may wane over time. Further, the food marketplace has limited resources available for nutrition promotion relative to other messages, products and practices. Additionally, physical activity and other lifestyle issues significantly impact body weight and health.

USDA tracks its annual performance in promoting healthful eating and physical activity by monitoring distribution of nutrition education materials. Over the longer term, the Department assesses the effect of these efforts with its Healthy Eating Index (HEI). HEI measures diet quality to assess conformance to Federal dietary guidance. The index is based on nutrition surveillance data.

OBJECTIVE 5.3: IMPROVE NUTRITION ASSISTANCE PROGRAM MANAGEMENT AND CUSTOMER SERVICE

Measure 5.3.1: Increase Food Stamp Payment Accuracy Rate

Overview

Key Outcome
Maintain a High Level of Integrity in the Nutrition Assistance Programs

USDA is committed to ensuring that nutrition-assistance programs serve those in need at the lowest possible costs. These programs must also offer a high level of customer service. Effectively managing Federal funds for nutrition assistance, including prevention of program error and fraud, is a key component of the President's Management Agenda. The Department focused on maintaining strong performance in the food stamp payment accuracy rate as its key performance goal in this area.

Analysis of Results

While 2008 data will not be available until June 2009, the food stamp payment accuracy rate reached a record-high 94.4 percent in 2007. The number demonstrates the excellent performance by State agencies in administering the program. This combined rate reflects 4.58 percent in overpayments and 1.06 percent in underpayments for a total of 5.64 in erroneous payments.

Twenty-eight States had a payment-accuracy rate greater than 94 percent, including 12 States with rates topping the 96–percent mark. Data on each State's payment accuracy can be found at: www.fns.usda.gov/fsp/qc/pdfs/2007-rates.pdf.

In June, USDA awarded $30 million in high performance bonuses to the 7 States with the best payment accuracy rates and the 3 States with the most improved rates.

USDA's close working relationship with its State partners, along with program changes to simplify rules and reduce the potential for error, has resulted in consistent increases in food stamp payment accuracy. Such Department efforts as an enhanced Partner Web and the National Payment Accuracy Work Group contributed significantly to this success. They both offered timely and useful payment accuracy-related information, tools best practices available across the country. Partner Web is an Intranet for State food stamp agencies. The National Payment Accuracy Work Group consists of representatives from USDA headquarters and regional offices.

The Department will work with States to streamline the program by extending simplified reporting to elderly and disabled households.

Additionally, USDA continued to use an early detection system to target States that may be experiencing a higher incidence of errors based on preliminary quality control data. Regional offices then address these situations in the individual States.

Exhibit 37: Increase Efficiency in Food Management

Annual Performance Goals, Indicators, and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
5.3.1 Increase Food Stamp Payment Accuracy Rate (Baseline: 2001 = 91.3%)	94.1%	94.1%	94.0%	94.4%	94.3%	Not Available	Deferred

FY 2008 data will be available in 2009.

Rationale for Met Range: The 95-percent confidence interval around the estimate of payment accuracy is ±.33.

- Data assessment metrics to meet the target allow for an actual number in the range 94.0%-94.6%.

Data Assessment of Performance Measures 5.3.1

Food stamp payment accuracy data are used annually to support the food stamp Quality Control (QC) process, based upon a statistically valid methodology. The QC process uses a systematic random sampling of Food Stamp Program (FSP) participants. The results of these activities are used to determine individual States' combined payment error rates. This rate is composed of over-issuances and under-issuances of FSP benefits. A regression formula is applied to review results to calculate official error rates. State agencies select cases monthly that are reviewed to determine the accuracy of the eligibility and benefit-level determination. They include a client interview and verification of all elements of eligibility, and the basis of issuance of food stamp benefits. Federal reviewers validate a sample of the State's reviews by conducting a second one. State agencies can verify and validate data through an informal review process. This process and current protections designed to ensure the data's accuracy are based on an agreement between the States and Federal reviewers. The process has proven to be a sound method of calculating reliable data.

- Completeness of Data—The most current data available for this measure are for FY 2007. Analysis of FY 2008 performance will be deferred until next year's report. Once available, the data are complete and reliable.
- Reliability of Data—QC data are valid and accepted by State FSP agencies as a basis for performance-incentive payments and penalties. GAO and OIG also use it regularly.
- Quality of Data—As described above, the data used to develop this measure are used widely for multiple purposes, both within and outside USDA. The measure itself is frequently cited as an important, high-quality indicator of program performance.

Challenges for the Future

Some improper payment risks are inherent to the legislatively mandated program structure. This structure is intended and designed to be easily accessible to people in special circumstances and settings. USDA must make services convenient and accessible to participants. State and local Governments bear direct responsibility for delivering the programs. Thus, the Department must work with these groups through monitoring and technical assistance. This approach requires trained staff supported by a modernized information technology infrastructure to ensure full compliance with national program standards.

Two significant challenges will impact future success. Congressional action has changed the quality control process, lowering the risk of penalties for poor State agency performance. However, State agencies have, for the most part, risen to the challenge and continue to achieve a high level of payment accuracy. Additionally, State budgets have been and will continue to be extremely tight. This factor could hurt State performance in payment accuracy. USDA will continue to provide technical assistance and support to maintain payment accuracy in the context of this changing environment.

Strategic Goal 6: Protect and Enhance the Nation's Natural Resource Base and Environment

Objective 6.1: Protect Watershed Health to Ensure Clean and Abundant Water

Measure

6.1.1: Comprehensive Nutrient Management Plans applied
- **Conservation Technical Assistance**
- **Environmental Quality Incentives Program**

6.1.2: Increase Conservation Reserve Program (CRP) acres of riparian and grass buffers

Overview

Key Outcome
Clean and Abundant Water

Healthy, well-cared for watersheds are essential to ensuring clean and abundant water resources. USDA manages national forests and grasslands to protect watersheds. The Department also offers services to help protect and enhance the Nation's water resources on private lands. The Conservation Technical Assistance Program (CTA) provides technical assistance supported by science-based technology and tools to help people conserve, maintain and improve their natural resources. In 2008, USDA conservation experts assisted people in writing or updating conservation plans on private land covering more than 13.8 million acres of working cropland and 26.8 million acres of grazing and forest lands. Conservation plans provide producers with information on the capability of their soil, condition of their grazing lands and woodlands, irrigation water management, wildlife habitat needs, and measures to improve or protect soil, water and air quality. The Department also assisted agricultural producers with implementing water quality improvement practices on more than 36 million acres. Much of USDA's assistance for water quality is directed towards livestock producers to reduce the risk of livestock waste and nutrients entering waterways.

A third of all ground and surface water is used for agricultural irrigation. USDA helped producers improve their irrigation practices on 3.3 million acres in FY 2008.

USDA also provided producers with financial assistance to help offset the cost of installing riparian and grassland buffers, and other conservation practices. Major programs providing financial assistance for water resources included the Environmental Quality Incentives Program (EQIP) and the CRP. The former provided nearly $560 million in cost share and incentives for water conservation and water quality in FY 2008. EQIP financial assistance is used for capital-intensive, structural practices and the adoption of practices to improve management of working land.

Analysis of Results

USDA made significant progress in protecting watershed health and ensuring clean and abundant water. The Department exceeded its target for CTA and met its target for EQIP by helping livestock producers apply comprehensive nutrient management plans. These systems include conservation practices implemented for waste collection and storage, nutrient management, land treatment practices for erosion control, and vegetated buffers to protect bodies of water. As animal agriculture has become more concentrated, public concern about potential environmental damage has increased. USDA focuses on helping producers comply with State and local regulations to minimize the potential for damage to water or air resources from livestock operations.

Selected Results in Research, Extension and Statistics

A New Remote Sensing Technique To Estimate Nutrient Uptake By Cover Crops—While cover crops can reduce nitrogen losses from agricultural fields, they are difficult to monitor at the watershed/landscape scale. USDA researchers in Beltsville, Maryland, developed a remote sensing technique. The technique estimates the amount of nitrogen sequestered in cover crop biomass on farms enrolled in State cover crop cost share programs. The pilot study was conducted in the Choptank River watershed in Maryland, which is part of USDA's watershed research network. The technique will allow managers to optimize and efficiently monitor this important best management practice at watershed and regional scales.

Extension Program Reduces Contamination and Saves Money—Excess nitrogen runoff from agriculture pollutes in the Nation's waterways. USDA funded North Dakota Extension programs to reduce nitrogen application rates with no crop yield or quality consequences. The programs are designed to increase grower profits and reduce water contamination. The work reduced nitrogen application by 20 pounds per acre on 500,000 acres of dry bean, canola and flax. At 40 cents per pound of nitrogen, growers saved $4 million in North Dakota.

Riparian and grass buffers intercept sediment and nutrients before they reach surface waters. To measure performance in achieving its strategy, USDA monitors acreage of agricultural lands to be enrolled as buffer zones in CRP. During the past five years, the number of acres set aside as buffer areas under the CRP program has increased steadily. CRP exceeded its performance target of 1.92 million acres for the measure by more than 100,000 acres. For FY 2008, producers have set aside approximately 2.02 million acres as CRP buffer areas.

Exhibit 38: Healthy Watersheds, High Quality Soils and Sustainable Ecosystems

Annual Performance Goals, Indicators and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
6.1.1 Comprehensive Nutrient Management Plans applied (number of plans)							
• Conservation Technical Assistance	2,372	2,421	2,269	1,911	1,550	1,745	Exceeded
• Environmental Quality Incentives Program	1,055	2,032	2,774	2,490	2,300	2,520	Met
6.1.2 Increase Conservation Reserve Program (CRP) acres of riparian and grass buffers (Million acres, cummulative)	1.65	1.75	1.86	1.95	1.92	2.02	Exceeded

Actual performance as of September 30, 2008.

Rationale for Met Range:

- 6.1.1: 1) Conservation Technical Assistance. Data assessment metrics to meet the target allow for an actual number in the range 1,395 – 1,705. 2) Environmental Quality Incentives. Data assessment metrics to meet the target allow for an actual number in the range 2,070 – 2,530.
- 6.1.2: Data assessment metrics to meet the target allow for an actual number in the range of 98%-102% of 1.92.

Data Assessment of Performance Measures 6.1.1

- Please refer to goal 6, Objective 6.4.1

Data Assessment of Performance Measures 6.1.2

The data source for this measure is the FSA National CRP Contract and Offer Data Files.

- Completeness of Data— CRP targets and actual data are cumulative. Data is based on estimated results through September 30, 2008. The measure reports national acres under contract with the following types of conservation buffers: filter strips, riparian buffers and wildlife habitat buffers on marginal pasture land. There are no known data limitations.
- Reliability of Data— FSA considers the data to be reliable. CRP is authorized through FY 2012.
- Quality of Data— While current information only provides the number of acres in these buffers, ongoing research will show models that estimate sediment and nutrients intercepted by these buffers. When available, these estimates may be used as performance measures.

Challenges for the Future

The demand for ethanol has lead to an increase in corn acreage. As a result, there may be increased demand for the collection and removal of crop residues/biomass for annually planted crops, in addition to perennial crops such as switchgrass. The changes in crop rotation, tillage, residue management, and nutrient and pesticide use on cropland could threaten water quality if not managed carefully.

If markets support increased production, agricultural producers may continue to plant crops on environmentally sensitive land rather than establishing long-term conservation covers or buffers. CRP enrollment continues to be influenced by high commodity prices. These prices have reduced the attractiveness of retiring cropland from production and enrolling it in CRP. Also, the 2008 Farm Bill reduced the maximum CRP enrollment to 32 million acres beginning in FY 2010.

USDA uses the multi-agency Conservation Effects Assessment Project (CEAP) to quantify the environmental benefits of conservation practices. Private landowners are cooperating with USDA in the CEAP effort. Watershed-based assessments are directed at evaluating interactions among practices and hydrology in the landscape. There is also a focus on the impacts of livestock, irrigation and drainage management, and conservation practices with significant watershed level impacts.

Objective 6.2: Enhance Soil Quality to Maintain Productive Cropland Base

Measure

6.2.1 Cropland with conservation applied to improve soil quality (millions of acres)

- **Conservation Technical Assistance Program**
- **Environmental Quality Incentives Program**

Overview

Key Outcome
Enhanced Soil Quality

High-quality soils support the efficient production of crops for food, fiber and energy. Proper soil management maximizes agricultural production and improves the environment. USDA helps producers install conservation practices and systems that meet established technical standards and specifications. In FY 2008, the Department assisted in applying conservation practices on 16 million acres of cropland. USDA also provides financial assistance to encourage producers to adopt land treatment practices proven to provide significant public benefits. In FY 2008, financial assistance for practices applied primarily to address soil quality issues included $187 million in EQIP cost-shares or incentives for adopting structural measures or management practices to reduce erosion and protect cropland.

The voluntary Conservation Security Program (CSP) provides financial and technical assistance to promote conservation on agricultural lands. CSP supports natural resource stewardship by identifying and rewarding those farmers and ranchers meeting the highest standards of conservation and creating incentives for other producers to meet those same standards.

USDA mapped or updated 35.2 million acres of soils, including Federal lands. Soil surveys provide information on the capabilities and conservation-treatment needs of soils. The Department provides the scientific expertise to enable a uniform system of mapping and assessing soil across the Nation. Historically, USDA has produced soil surveys along geo-political boundaries. Future efforts will be directed toward developing seamless national soil survey coverage. The soil survey program is initiating an effort to collect soil property data that vary with land use and management. These data will better enable planners to assess soil quality for a given land use and management level. This will allow conservation practices to be tailored to address the greatest soil quality concerns and more accurately reflect the operator's conditions.

Analysis of Results

USDA exceeded its target for helping producers apply conservation practices on cropland for CTA and met its EQIP target. Farmers frequently change crops, equipment, and management practices; thus, they need help in adjusting conservation systems, even on land well-protected under the previous system. USDA also met its CSP targets for enhanced soil management.

Selected Results in Research, Extension, and Statistics

Preventing Soil Erosion—Supported by Small Business Innovation Research, researchers have investigated the use of WoodStrawTM for erosion control. WoodStrawTM is a wood-based erosion control material that is weed-free, long-lasting and superior to agricultural straw in watersheds, forestlands and road construction. Its production supports rural jobs and improves independent veneer mill sustainability through value-added outlets for low grade veneer.

"Green Payments" in Agriculture—USDA's *Integrating Commodity and Conservation Programs: Design Options and Outcomes* and a related *Amber Waves* article address the potential advantages and disadvantages of linking commodity and conservation programs into a single policy tool. The research examined the distribution of income support and environmental gains from various approaches to combining that objective of existing commodity programs and environmental objectives. Policy makers who attempt to join commodity and conservation policy may face a difficult trade-off between environmental gain and the existing distribution of farm income support. Program scenarios included existing commodity programs with enhanced conservation requirements (extensions of existing compliance requirements) and payments based on environmental performance ("performance-based" payments). This move would encourage "production" of environmental quality along side of traditional agricultural commodities.

Effects of Elevated Carbon Dioxide (CO2) on Soil Carbon in Conventional and Conservation Cropping Systems Evaluated—USDA researchers in Auburn, Alabama, evaluated the contribution of agricultural management and rising atmospheric carbon dioxide to soil carbon sequestration. They also studied the ability of these systems to help ease gas' higher atmospheric levels. Soil carbon was measured for 10 years in a cropping systems study. Researchers compared the effects of elevated atmospheric carbon dioxide CO2 in a conventional (standard tillage with no cover crops) management system with that of a conservation (no-till with three cover crops). The researchers found that conservation management can improve soil quality, and that the improvements are enhanced under elevated atmospheric carbon dioxide conditions.

Exhibit 39: Enhanced Soil Quality

Annual Performance Goals, Indicators and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
6.2.1 Cropland with conservation applied to improve soil quality (millions of acres)							
• Conservation Technical Assistance	NA	6.0	6.4	7.3	7.0	8.3	Exceeded
• Environmental Quality Incentives	NA	2.2	3.4	5.3	5.5	5.6	Met
• Conservation Security	1.3	7.2	1.4	0.14	1.4	1.3	Met

Actual performance as of September 30, 2008.

Rationale for Met Range: This measure was new for the Department in FY 2007, but relates to the prior measure for Cropland Soils Protected from Excessive Erosion. This measure was designed to provide a better indicator of soil quality and includes all cropland and hay land on which USDA assisted producers to apply conservation measures to maintain or enhance soil quality and enable sustained production of a safe, healthy, and abundant food supply. Performance data for FY 2006 and FY 2005 have been provided to indicate prior year performance had this measure been employed at that time.

- Conservation Technical Assistance: Data assessment metrics to meet the target allow for an actual number in the range of 6.3–7.7.
- Environmental Quality Incentives: Data assessment metrics to meet the target allow for an actual number in the range of 5.0–6.1.
- Conservation Security: Data assessment metrics to meet the target allow for an actual number in the range of 1.3–1.5

Data Assessment of Performance Measures 6.2.1

Please refer to goal 6, Objective 6.4.1

Challenges for the Future

Economics and weather can impact producers' willingness to adopt conservation measures. In addition to an increase in demand for corn to make ethanol, demand is expected to increase for the collection and removal of crop residues/biomass for annually planted crops and perennial crops such as switchgrass, for cellulosic ethanol. Natural disasters and prolonged unfavorable weather conditions could also reduce the opportunities for producers to implement conservation practices. USDA continues to evaluate the effects of short-term and long-term conservation practices on soil quality, including impacts on organic matter and carbon sequestration.

The Department will face challenges associated with soil data collection and dissemination. Economic constraints in partnering with other agencies and universities could reduce the number of acres mapped and the total number of soil surveys updated. USDA will seek to strengthen partnerships and form new ones with entities having common interests. It will also use technology to improve data-collection efficiency.

Objective 6.3: Protect Forests and Grazing lands

Measure

- **6.3.1** Number of acres of hazardous fuel treated that are in the wildland urban interface
- **6.3.2** Number of acres of hazardous fuel treated that are in condition Classes 2 or 3 in Fire Regimes I, II or III outside the wildland-urban interface
- **6.3.3** Number of acres in condition classes 2 or 3 in Fire Regimes I, II, or III treated by all land management activities that improve condition class
- **6.3.4** Grazing and forest land with conservation applied to protect and improve the resource base:
  - Conservation Technical Assistance
  - Environmental Quality Incentives Program

Overview

Key Outcome
Sustainable Forest and Grassland Ecosystems

Forests and grasslands comprise nearly 55 percent of the Nation's total land area of 2.3 billion acres. These lands provide timber and livestock forage. Additionally, healthy forests and grazing lands contribute to the health and well-being of the Nation's soil, water, air and wildlife. USDA looks to reduce fire danger, minimize the threat of invasive species, and help producers apply conservation practices that reduce erosion and improve water quality.

The Department manages more than 192 million acres of national forests and grasslands. It also acts as a technical-assistance provider on non-Federal forests and grasslands. These areas comprise almost half the continental U.S. On Federal lands, USDA protects and sustainably manages national forests and grasslands so they support multiple uses. Using technical and financial assistance, the Department also helps landowners and operators address the risks on privately owned land using conservation practices. These practices include prescribed grazing, integrated pest management, brush management, forest stand improvement, and tree planting. USDA assisted producers in applying conservation practices on 31.4 million acres of non-Federal grazing lands and forest.

Several serious threats pose risks to public and private forestland and grassland. They include wildland fire, invasive species, loss of open space and unmanaged outdoor recreation. In many areas, especially in the West, most watersheds and landscapes include public land managed by several Federal agencies and private, State and Tribal lands. Protecting the natural resources in these areas requires cooperation among a large number of stakeholders, with a focus on the whole landscape. USDA's forest protection performance measure focuses on reducing the risks of catastrophic wildland fire. Its performance measure for grazing land and non-Federal forestland focuses on increasing the acreage managed under conservation systems that will sustain or improve long-term vegetative condition.

Approximately a million acres of national forestlands burned during the 2008 fire season. Nationwide, wildfires affected approximately 5 million acres of public and private land. USDA and the Department of the Interior (DOI) are using tools and authority provided by the President's Healthy Forests Initiative and the Healthy Forests Restoration Act of 2003 to reduce fire hazards and restore forests and grasslands. The USDA-DOI projects consist largely of removing excess vegetation and prescribed burning (collectively, "hazardous fuel reduction") to reduce the risk from wildfires.

The USDA-DOI projects improve firefighter and public safety. Since the inception of the National Fire Plan in 2001, USDA has treated more than 16 million acres to remove excess vegetation through a combination of hazardous fuels reduction funds and other vegetation management program efforts. Unplanned ignitions, or those that occur through such natural causes as lightning, are also used as an ad-hoc tool to manage hazardous fuels. Natural fire reduces fuels, recycles nutrients and provides a host of other functions necessary to maintain healthy ecosystems. In 2008, management objectives were achieved on approximately 170,000 acres using naturally ignited fires.

USDA's efforts to reduce the risks of wildfire are conducted in collaboration with its stakeholders to develop and implement Community Wildfire Protection Plans (CWPPs). CWPPs identify wildland fire hazards in areas within and surrounding communities. They also identify high-priority hazardous fuels for treatment. Additionally, CWPPs help private citizens understand the role fire plays in ecosystem health, promote positive interactions with Federal land managers, and create local business opportunities.

Hazardous fuel reduction accomplishments in 2008 include:

- Investing more than 60 percent of the dollars available for hazardous fuel treatments in the wildland urban interface near communities;
- Developing a scientific methodology to evaluate acres burned by unplanned ignition as acres approaching desired conditions, if the outcomes are consistent with management objectives;
- Creating and implementing a process to document and display fuel-treatment effectiveness where on-the-ground treatments have been tested by wildfire; and
- Deploying the Fire Program Analysis system to analyze initial response, fuels, and large fire-suppression activities relative to risks, impact, benefits, and cost. The system will provide managers decision-support and analysis tools to inform their allocation of fire preparedness resources and funding at both the local and national levels.

Several key USDA programs contribute to management efforts that protect communities and restore forests and grasslands to sustainable conditions. The hazardous fuel reduction program is a crucial component of this effort. Programs to improve timber and range productivity, wildlife and fish habitat, forest health, and watershed quality also contribute to this effort.

Analysis of Results

USDA met or exceeded all of its performance goals for protecting the health of the Nation's forests and grasslands against the risk of fire. USDA exceeded its 2008 CTA and EQIP targets for conservation applied to protect and enhance non-Federal grazing land and forest land. Nationwide drought conditions, expansion of the wildland urban interface, and densely vegetated forests increase the chances of more severe and damaging wildfires. Approximately 56 percent of all acres managed by USDA have missed 2 or more expected fire cycles. Many acres are at elevated risk from wildland fire. The finer scale data available from LANDFIRE is expected to show an even greater departure from expected conditions in the Nation's forests and woodlands.

Selected Results in Research, Extension, and Statistics

Investing in the Future—A USDA program allowed 65 forestry schools and colleges to participate in environmental research. The study addressed the production, protection and utilization of forest resources and associated rangelands. Nearly 1,000 scientists work on projects from the molecular to the landscape level. Knowledge and technologies developed are worth billions of dollars in direct and indirect benefits. Funding has supported 22,500 years of graduate student forestry studies, leading to 7,500 masters and 2,200 doctoral degrees.

Major economic and environmental disruptions by wildfires in Western States—The lack of information on the impacts of grazing on post-fire environments has limited the effectiveness of post-fire management strategies to simultaneously meet ecological and economic goals. USDA researchers in Burns, Oregon, evaluated plant community recovery after prescribed fire and the application of spring and summer grazing in a local rangeland ecosystem. They found that moderate grazing after fire did not limit the recovery of plant communities and productivity of herbaceous plants when compared with ungrazed treatments. This information enhances the ability of land managers to prescribe post-fire grazing practices that restore ecological health while reducing income loss for livestock producers.

Exhibit 40: Trends in Treatment of Hazardous Fuel, Private Forests and Grasslands

Annual Performance Goals, Indicators and Trends		2004	2005	2006	2007	Fiscal Year 2008		
						Target	Actual	Result
6.3.1	Number of acres of hazardous fuel treated that are in the wildland urban interface (in thousands)	1,311	1,094	1,045	1,139	1,110	1,110	Met
6.3.2	Number of acres of hazardous fuel treated that are in condition classes 2 or 3 in Fire Regimes I, II, or III outside the wildland-urban interface (in thousands)	492	470	409	528	515	515	Met
6.3.3	Number of acres in condition classes 2 or 3 in Fire Regimes I, II, or III treated by all land management activities that improve condition class (in thousands)	758	1,058	1,093	1,301	1,268	1,268	Met

Rationale for Met Range:

- 6.3.1: Data assessment metrics to meet the target allow for an actual number in the range of 1,055–1,166.
- 6.3.2: Data assessment metrics to meet the target allow for an actual number in the range of 489–541.
- 6.3.3: Data assessment metrics to meet the target allow for an actual number in the range of 1,205–1,331.

Annual Performance Goals, Indicators and Trends		2004	2005	2006	2007	Fiscal Year 2008		
						Target	Actual	Result
6.3.4	Grazing and forest land with conservation applied to protect and improve the resource base, millions of acres							
	▪ Conservation Technical Assistance	n/a	7.5	11.8	14.2	12.0	16.0	Exceeded
	▪ Environmental Quality Incentives Program	n/a	8.0	12.2	16.5	12.3	16.9	Exceeded

[1] Actual performance as of September 30, 2008.

- The FY 2007 PAR included performance figures from the Conservation Stewardship Program. It was removed this year from the measure so the focus would be on soil and water quality.

Rationale for Met Range: This measure was re-defined and expanded in FY 2007 to include all private grazing or forest land on which the Department assisted producers to apply conservation measures to maintain or improve long-term vegetative condition and protect the resource base. Lands on which conservation measures may be applied include grazed range, grazed forest, native and naturalized pasture, and forest. Performance data for FY 2005 and FY 2006 have been provided to indicate prior year performance had this measure been employed at that time.

- 6.3.4: 1) Conservation Technical Assistance. Data assessment metrics to meet the target allow for an actual number in the range 10.8–13.2.
  2) Environmental Quality Incentives. Data assessment metrics to meet the target allow for an actual number in the range 11.1–13.5.

Data Assessment of Performance Measures 6.3.1, 6.3.2, 6.3.3, 6.3.4

The following applies to measures 6.3.1, 6.3.2, and 6.3.3: The data for hazardous fuels treatments are reliable, of good quality, and certified by the respective line officer. USDA wildfire and other program managers collected, compiled, and analyzed the data.

[1] Please refer to Goal 6, Objective 6.4.1 for the data assessment of measure 6.3.4.

- Completeness of Data—The data used in conjunction with performance information are based on those reported through the end of the third quarter. To provide the response to the initial data call, the Forest Service projects the results for the fourth quarter of the fiscal year based on year-to-date and prior year performance. That projection is replaced with end-of-year actual data after the end of the fiscal year.
- Reliability of Data—All data for hazardous fuels were reported through the National Fire Plan Operations System. USDA and Department of Interior land-management agencies co-developed the system. Its data are collected, compiled, and analyzed by program managers, and certified by the respective line officer.
- Quality of Data—Data quality has been assessed at about 90 percent for project data in all regions. The quality of these data is monitored continuously and being improved with focused training and policy direction on reporting requirements. Data are projected based on historical performance and year-to-date actual accomplishments. If information is not entered into the systems of record immediately upon completion of the project, the quality of the projection will be compromised.

Challenges for the Future

The cost of managing wildfires is staggering. Where feasible, use of excess vegetation for biomass and biobased products may lower costs. A barrier to expanding forest-biomass utilization is the limited market for this material and the rising cost of transportation from the source to scarce processing facilities. Where processing capacity exists, use is limited because much of the excess material is too small for its removal to be economically feasible. USDA and DOI are developing a strategy to encourage greater biomass utilization.

With regard to private land, producers' willingness and ability to implement conservation measures are affected by economic conditions, climate variability, drought and invasive species. USDA, in cooperation with other Federal, State, Tribal, and local agencies will work to provide producers information and other necessary resources to adopt needed conservation measures.

Objective 6.4: Protect and Enhance Wildlife Habitat to Benefit Desired, At-Risk and Declining Species

Measure: 6.4.1 Wetlands Created, Restored or Enhanced
- **Conservation Technical Assistance Program**
- **Wetlands Reserve Program**
- **Conservation Reserve Program**

Overview

Key Outcome

Improved Wildlife Habitat Quality While Supporting Desired Species and Species of Concern (At-Risk and Declining Species)

USDA addresses the needs of wildlife in managing national forests and grasslands. USDA also provides technical and financial assistance to landowners and managers to improve habitat on private lands. On non-Federal land, USDA conservationists provide on-site assistance to assess the quality of wildlife habitat. They also develop management plans that consider wildlife needs for shelter, nesting areas, and access to water and food during critical periods. These plans are designed to sustain and enhance wildlife habitat.

The Department helped individuals and groups apply conservation management to maintain or improve habitat on 13.5 million acres of non-Federal land. The land treated included 13.1 million acres of upland wildlife habitat and nearly 400,000 acres of wetland wildlife habitat. Several USDA programs encourage participants to enter into contracts to improve and restore grassland, rangeland, forest ecosystems, wetlands, and adjacent upland buffers.

Easement acquisitions and agreements help ensure the long term viability of these habitat areas. These actions are designed to create productive, diverse, and resilient habitat.

Analysis of Results

USDA exceeded its targets for the creation, restoration or enhancement of wetlands. This performance measure set targets for three USDA programs: the CTA, the Wetlands Reserve Program (WRP) and CRP. The performance measure for wetlands includes land on which USDA provided technical and/or financial assistance in FY 2008.

CTA provides technical assistance supported by science-based technology and tools to help people conserve, maintain and improve their natural resources. On wetlands where USDA provided technical assistance through CTA, no financial assistance was provided by Department programs. In some cases, financial assistance may have been provided through non-USDA sources.

WRP is a voluntary conservation program that offers landowners the means and opportunity to protect, restore and enhance wetlands on their property. WRP participants sign an easement or agreement with USDA.

The CRP performance target of 50,000 acres was exceeded by 30,103 acres, a 60 percent increase over the projected number of acres. This was due to the adoption of several initiatives, including the 100,000-acre Duck Nesting Habitat Initiative, the 500,000-acre Bottomland Hardwood Timber Initiative and the 250,000-acre non-floodplain Wetland Restoration Initiative. These restored wetlands and buffers have increased prime wildlife habitat and water storage capacity. They have also led to a net increase in wetland acres on agriculture land.

The Duck Nesting Habitat Initiative was designed to increase duck populations by an estimated 60,000 birds annually and to restore 100,000 wetland acres. The Bottomland Hardwood Timber Initiative was designed to improve flood plains through the restoration of primarily bottomland hardwood trees. The Wetland Restoration Initiative was designed to restore up to 250,000 acres of wetlands and playa lakes that are located outside of the 100-year floodplain.

In April, the Council on Environmental Quality (CEQ) announced that the goals established in the President's Wetland Initiative had been achieved a full year ahead of schedule. WRP, CRP and CTA served as the primary USDA contributors to this effort. They have restored, created and enhanced more than 1.3 million acres of wetlands, and protected more than 400,000 acres since Earth Day, 2004. CEQ coordinates Federal environmental efforts and works closely with agencies and other White House offices in developing environmental policies and initiatives.

USDA uses the acreage of wetlands created, restored or enhanced as an indicator of progress toward improved habitat for many species. The Department is participating in cooperative efforts to quantify the results of its conservation practices for wildlife habitat. The results will be used to manage agricultural landscapes for environmental quality.

Numerous species have benefitted from USDA's projects. A recent study by the Fish and Wildlife Service (FWS) examined the effect of CRP in North Dakota, South Dakota and northeastern Montana. FWS estimated that the duck population grew by an average of 2 million annually between 1994 and 2004, a 30 percent increase compared to the same area without CRP. The program is also credited with enhancing the population of several bird species considered endangered. The Washington Department of Natural Resources found that a severe decline in an eastern Washington sage grouse population has been reversed in an area with substantial CRP enrollment. A *Journal of Wildlife Management* study credits CRP with a sharp rebound in Henslow's Sparrow populations.

In FY 2008, USDA and FWS evaluated the benefits of WRP to mid-continental migrating waterfowl. This collaborative effort was part of a CEAP Wildlife Component assessment. This assessment quantifies the effects of USDA conservation practices and programs on fish and wildlife in landscapes influenced by U.S. agriculture. The project, which took place in the Rainwater Basin Region of south central Nebraska, evaluated the value of WRP wetland projects. This region is important for waterfowl migration in the Central Flyway of North America. The findings revealed that the 3,000 acres of WRP restored wetlands in the Rainwater Basin provided up to 12 percent of the food energy needs of the estimated 12.4 million ducks and geese that traveled through this area during spring and fall migration.

Selected Results in Research, Extension, and Statistics

Controlling Invasive Species Protects Wildlife—Rapid response resulting from rangeland monitoring has allowed for early control of invasive species on 8,156 acres and protecting an additional 10,000 adjacent acres. Thanks to USDA funding, this Washington State University program treated more than 16,000 acres of Spartina infested tidelands in Willapa Bay and Puget Sound with a new, safer, more cost effective and more successful herbicide. Spartina populations have dropped to less than 1,000 acres (from 16,000). Shorebird populations utilizing these mudflats have increased from near zero to several thousand per hectare.

Exhibit 41: Improved Wildlife Habitat

Annual Performance Goals, Indicators and Trends	2004	2005	2006	2007	Fiscal Year 2008		
					Target	Actual	Result
6.4.1 Wetlands created, restored or enhanced (acres)							
• Conservation Technical Assistance	59,293	53,498	65,345	62,093	51,300	72,806	Exceeded
• Wetlands Reserve Program	123,363	180,358	181,979	149,326	100,000	128,860	Exceeded
• Conservation Reserve Program	57,036	50,934	61,279	68,834	50,000	80,103	Exceeded

Actual performance as of September 30, 2008.

- Conservation Technical Assistance: Data assessment metrics to meet the target allow for an actual number in the range 46,170 – 56,430.
- Wetland Reserve Program: Data assessment metrics to meet the target allow for an actual number in the range 90,000 – 110,000.
- Conservation Reserve Program: Data assessment metrics to meet the target allow for an actual number in the range 45,000 – 55,000 acres.

Data Assessment of Performance Measures 6.4.1

The chief sources of data for this performance measure are the National Conservation Planning Database (NCP), the Program Contracts Database (ProTracts) and the Performance Results System (PRS). The CRP data source for this measure is the FSA National CRP Contract and Offer Data Files. This applies to the data for Measures 6.1.1, 6.2.1, 6.3.4.

- Completeness of Data—The performance reported for these measures is based on actual data reported for FY 2008. Numerous data quality mechanisms within PRS ensure the completeness of each performance record entered in the system. There are no known data limitations.
- Reliability of Data—For FY 2008, the data reported for these performance measures were calculated within PRS based on information validated and retrieved from the NCP and ProTracts. Conservation practices are developed in consultation with the customer and included in conservation plans stored in the NCP. Periodic reviews are conducted to assess the accuracy of reported data.
- Quality of Data—Overall quality of the data is good. Field staffs, trained and skilled in conservation planning and application suited to the local resource conditions, report performance where the conservation is occurring. Error checking enhancements and reports within the PRS application maintain data quality by allowing users at local, State and national levels to monitor data inputs. Data on the linkage of programs and conservation practices applied are accurate because the conservation program responsible for applying each practice is documented in the conservation plan developed in Toolkit. The same land unit may benefit from the application of more than one conservation practice. Where more than one program is used to apply practices on the same land unit, each program is credited under the performance measure.

Challenges for the Future

Commodity prices, economic conditions, weather, and developmental pressures can impact the ability and willingness of agricultural producers to restore, improve and protect habitat areas. Given the current high prices for agricultural commodities, producers may be less willing to make long-term commitments regarding the use of their land. This could impact wetland restoration of prior converted cropland. Due to expiring CRP contracts and favorable commodity prices, USDA projects a slight decrease in the program's cumulative enrolled acreage. Some of that land could return to crop production, which would reduce habitat for grassland bird species. Grassland birds are declining faster than any other type of North American birds.

USDA works with other agencies and private organizations to provide producers with information and other resources to adopt conservation measures and management practices. Many wildlife projects are supported by a combination of Federal, State, local, and private funds. State and local budget constraints could impact project implementation.

Program Assessment Rating Tool (PART) Evaluations

The Program Assessment Rating Tool (PART) assesses and improves program performance to allow the Federal Government to achieve better results. The PART is designed to look at all factors that affect and reflect USDA program performance. These factors include program purpose and design; performance measurement, evaluations, and strategic planning; program management; and program results. Because the PART includes a consistent series of analytical questions, it allows programs to show improvements over time. It also allows comparisons between similar programs. The summaries below represent programs PART'ed in Fiscal Year 2008. The programs are summarized by Strategic Objective. Further detail on USDA's PART'ed programs can be found at: http://www.whitehouse.gov/omb/expectmore/.

Strategic Objective 1.1	Expand and Maintain International Export Opportunities
Program Name	Cochran Fellowship Program
Current Rating	• Adequate
Lead Agency	• Foreign Agricultural Service (FAS)
Major Findings/ Recommendations	• The Cochran Fellowship Program has a role in the overall effort to enhance technical capacity throughout the international agricultural sector. The program is designed to facilitate international trade and reduce the limiting factors in the economic development of middle-income countries and those in transition. Despite its work, it is unclear to what extent the program's agricultural training can be linked to specific significant results. FAS should continue to improve upon its efforts to address deficiencies in tracking the impact of training and the activities of Cochran alumni.
Actions Taken/Planned	• FAS is developing outreach to Cochran's alumni and improving information management tools to better monitor the impact of alumni within their respective countries. In addition, FAS is improving Cochran's cost-efficiency performance by reducing costs related to orientation, translation and staffing.

Strategic Objective 2.3	Provide Risk Management and Financial Tools to Farmers and Ranchers
Program Name	Agricultural Credit Insurance Fund – Guaranteed Loans
Current Rating	• Moderately Effective
Lead Agency	• Farm Service Agency (FSA)
Major Findings/ Recommendations	• The Guaranteed Loan Program provides access to agricultural credit for farmers temporarily unable to obtain credit from private lenders at reasonable rates and terms. Historic economic uncertainties of production may have made agricultural credit hard to achieve. Despite these uncertainties, low loss rates and low delinquency rates over the last several years may make it feasible for private lenders to risk taking on more of these loans.
Actions Taken/Planned	• FSA is developing an independent evaluation process for the program. It is also establishing a new, long-term performance goal for loan losses that benchmarks against the performance of commercial agricultural lenders.

Strategic Objective 2.3	Provide Risk Management and Financial Tools to Farmers and Ranchers
Program Name	Direct Crop Payments
Current Rating	• Adequate
Lead Agency	• Farm Service Agency (FSA)
Major Findings/ Recommendations	• While program management has devised performance goals designed to improve the delivery of benefits to farmers, program design could be improved. Direct payments are provided to only 36 percent of U.S. farmers, 60 percent of whom have annual sales of at least $50,000.
Actions Taken/Planned	• FSA is reviewing and implementing the new Farm Bill, including developing rules and regulations for direct crop payments. The agency also continues to work to decrease the number of improper payments.

Strategic Objective 3.1	Expand Economic Opportunities by Using USDA Financial Resources to Leverage Private Sector Resources and Create Opportunities for Growth
Program Name	Rural Development
Current Rating	• Adequate
Lead Agency	• Rural Business-Cooperative Service (RBS)
Major Findings/ Recommendations	• Due to a lack of demand, the program has not fully obligated funds for the last two years and has extensive levels of carryover. RBS has agreed to extremely ambitious targets for their long-term measures. By 2013, they hope to have 95 percent of their business/loan recipients existing five years after the loan closes. This program has had problems in the past approving and executing loans. In 2006, it took an average of 59 days to process a loan – much higher than the 30-day average in the private sector.
Actions Taken/Planned	• RBS is rewriting program regulations to address identified concerns and deficiencies. They include lender performance and eligibility, borrower eligibility, priority goals and underwriting requirements. RBS is also rewriting program regulations and any Notices of Funding Availability to target the program more effectively. Finally, RBS is implementing internal efficiencies to decrease the amount of time it takes to approve and execute a loan.

Strategic Objective 4.1	Reduce the Incidence of Foodborne Illnesses Related to Meat, Poultry, and Egg Products in the U.S.
Program Name	Plant and Animal Health Monitoring Programs
Current Rating	• Adequate
Lead Agency	• Food Safety and Inspection Service (FSIS)
Major Findings/ Recommendations	• FSIS has a clear program purpose and mission and works effectively with other Federal and State agencies to protect the food supply. While the agency has developed new methodologies to better estimate the population's exposure to the three pathogens–*E.coli 0157:H7*, *Salmonella* and *Listeria monocytogenes*–only two years of data exist using the new volume-based methodology for those measures. In addition, while budget requests are aligned with program goals and objectives in the strategic plan and corporate measures designed to protect public health, it is unclear how changes in funding, legislation or policy will impact FSIS' ability to meet the targets.
Actions Taken/Planned	• FSIS is conducting independent assessments of its programs to evaluate their scientific basis and effectiveness. They are developing a new information infrastructure to enable real-time data collection, data analysis, improve program effectiveness and allow greater information sharing among external agencies. The agency is also implementing effective, multi-year budget planning to establish closer links between budget and performance goals.

Strategic Objective 4.2	Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks
Program Name	Plant and Animal Health Monitoring Programs
Current Rating	• Adequate
Lead Agency	• Animal and Plant Health Inspection Service (APHIS)
Major Findings/ Recommendations	• While the programs do protect the agricultural sector from the impacts of pests and diseases, only one annual performance measure had ambitious targets. In general, the programs were ineffective in meeting both long term and annual targets.
Actions Taken/Planned	• APHIS is developing more ambitious performance targets. The agency also is enhancing infrastructure for surveys to protect against pests, pathogens and noxious weeds and for biotech permit holders to manage the safe movement and release of genetically engineered organisms. Finally, APHIS is reviewing and implementing published documents -- including significant regulations and the National Animal Identification System Business Plan -- to maximize benefits and minimize incremental costs.

Strategic Objective 6.1, 6.2	Protect and Enhance the Nation's Natural Resource Base and Environment
Program Name	Conservation Security Program
Current Rating	• Results Not Demonstrated
Lead Agency	• Natural Resources Conservation Service (NRCS)
Major Findings/ Recommendations	• It is difficult to estimate the environmental benefits from Conservation Security Program's enhancement activities that provide incentives for producers to achieve benefits greater than the minimum standards.
Actions Taken/Planned	• NRCS is developing outcome measures to assess program effectiveness related to its goals.

Program Evaluations of Performance Information

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
1.1.1	General Accountability Office (GAO) Report, November 7, 2007, GAO-08-59 – International Trade: An Analysis of Free Trade Agreements and Congressional and Private Sector Consultations under Trade Promotion Authority	Findings: While this report contains no direct recommendations for USDA, the Secretary is expected to work on recommendations made to the office of the U.S. Trade Representative (USTR). Actions: Both USDA and USTR have indicated that they will improve the trade advisory committees' membership listings to clearly state which interest group each member represents. USDA will acknowledge USTR's lead in the advisory committee re-chartering and member appointment processes. It will also work closely with USTR in whatever action it proposes to ensure that committee charters are not allowed to lapse.	Report is available at http://www.gao.gov/new.items/d0859.pdf
	Summit Consulting LLC in collaboration with Bearing Point and Nineteen, Inc.	Findings: Foreign Agricultural Service (FAS) contracted a detailed actuarial study of historical recovery rates under the export credit guarantee program GSM-102. Actions: USDA adjusted the credit subsidy rate used in budget formulation and reduced subsidy needs by approximately 60 percent.	Please contact the FAS Office of Trade Programs
1.1.1, 1.2.1, 1.2.2, 1.3.1	USDA Foreign Agricultural Service Customer Satisfaction Survey 2008, September 2008, CFI Group	Findings: FAS tailored an American Customer Satisfaction Index survey to generate baseline data on customer satisfaction with the agency's abilities to achieve agency strategic goals and objectives. The results show FAS above the Government-agency average in customer satisfaction. The study recommended that improvements in operational excellence would have the most impact in improving customer satisfaction. Actions: FAS will generate specific management initiatives to address survey results.	Please contact the FAS Office of Administrative Operations
1.2.1	Comparative Evaluation of the Rockefeller G&D Borlaug Women in Science Fellowship Programs by Zenda Offir, Evalnet South Africa (USAID: January 2008)	Findings: United States Agency for International Development (USAID) recommended that the Borlaug Women in Science Program establish measures for a monitoring and evaluation system to track progress and accountability and improve program outreach. Actions: FAS is establishing a monitoring and reporting system that facilitates the tracking of progress, accountability and information sharing amongst program stakeholders.	Please contact the FAS Office of Capacity Building and Development
1.2.1, 1.2.2	GAO Report, May 29, 2008, GAO-08-680 – International Food Security: Insufficient Efforts by Host Governments and Donors Threaten Progress to Halve Hunger in Sub-Saharan Africa by 2015	Findings: GAO recommends that USAID collaborate with USDA, State and Treasury to develop an integrated Government-wide U.S. strategy. That strategy would define actions and resources, enhance collaboration with host Governments and donors and improve measures to monitor progress. It also recommended that the Department report annually to Congress on the strategy's implementation. Actions: Other than the above collaboration, this report contains no recommendations for the Secretary and it is likely that no further action is required.	Report is available at http://www.gao.gov/new.items/d08680.pdf
	USDA/OIG Report, July 22, 2008, 07601-2-Hy – Export Credit Guarantee Program	Findings: The Office of the Inspector General (OIG) found that FAS needs to develop a new guarantee fee structure for the GSM-102 program. That structure should include the financial risk of both the country and bank itself. It adds that FAS also needs to develop and implement a records management system that complies with USDA DR-3080.	Report is available at http://www.usda.gov/oig/webdocs/07601-2-HY.pdf

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
		Actions: FAS is currently conducting a review of the major factors to be considered when determining risk premiums and will implement a revised premium structure after the completion of this review. FAS already has brought the GSM-102 claim files into compliance with DR-3080.	
1.4.1	OIG-50401-16-FM, Financial Statements for Fiscal Years 2007 and 2006	Findings: Deloitte reports that the financial statements present fairly, in all material respect, USDA's Risk Management Agency's (RMA) financial position as of September 20, 2007, and 2006, its net costs, changes in net position and budgetary resources for the years then ended, in conformity with generally accepted accounting principles. No weaknesses related to internal controls or noncompliance with laws and regulations are reported. Actions: No further action is required.	Report is available at http://www.usda.gov/oig/rptsauditsrma.htm
	OIG-05099-111-KC, Improved Financial Management Controls over Reinsured Companies	Findings: To further strengthen its procedures and policies, OIG recommended RMA formalize written procedures for its operational analyses of reinsured companies. RMA also needs to continue coordination with NAIC and individual State insurance departments to identify what specific supplemental information still needs to be addressed among the agency and individual State insurance department regulators. Actions: RMA developed written procedures for the analysis process including scheduling, planning and follow up.	Report is available at http://www.usda.gov/oig/webdocs/05099-111-KC.pdf
	OIG-05099-112-KC, Contracting for Services Under the ARPA of 2000	Findings: OIG did not find any improprieties during the audit. They did identify management controls that could be strengthened relative to RMA's procedures for documenting, monitoring and administering the Agricultural Risk Protection Act (ARPA) contracts and partnership agreements. Additionally, the training for RMA officials responsible for managing these ARPA research and development projects could also be strengthened. Actions: RMA developed two repository Web sites to manage contracts and partnerships. The sites will be linked to a tracking system to monitor their status. RMA will conduct contracting officer training.	Report is available at http://www.usda.gov/oig/webdocs/05099-112-KC_2.pdf
3.2.1	EPA Clean Watersheds Needs Survey 2000 and the EPA 1999 Drinking Water Infrastructure Needs Survey	Findings: The U.S. Environmental Protection Agency (EPA) Clean Watersheds Needs Survey 2000 showed that small communities of 10,000 people or less have documented needs of $16 billion for wastewater systems. Needs for drinking water are significantly higher. The EPA 1999 drinking water survey showed $48.1 billion in needs for communities of 10,000 people or less and $31.2 billion in needs for communities of 3,300 people or less. Investments in new, high-quality, environmentally safe water and wastewater infrastructure or in replacing aging infrastructure reduce reductions and the migration of young people and attract new businesses. Actions: The Water Programs have developed a measure to track annually the number of borrowers, subscribers (customers) receiving new or improved services from water systems and facilities.	Available at: http://www.whitehouse.gov/omb/expectmore/detail/10000458.2005.html
3.2.5	Distance Learning and Telemedicine	Findings: Grantee performance information is collected and made available to the public. Actions: Grantee performance review was conducted in April-May 2007 and results published on the agency's public Web site. Annual reviews are planned.	The report is available at http://www.usda.gov/rus/telecom/publications/pdf_files/dltperformance-reportstudy.pdf

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
4.1	Automated Targeting System (ATS) Evaluation	Findings: The USDA Food Safety Inspection Service (FSIS) Office of Program Evaluation, Enforcement and Review (OPEER), Program Evaluation and Improvement Staff (PEIS) evaluated data from the ATS pilot conducted at the ports of Philadelphia and Houston to test the targeting and handling of FSIS-regulated shipments potentially at high risk from intentional contamination. The final report, issued May 29, 2007, contains recommendations for improving the accuracy and efficiency of the ATS. Actions: FSIS has implemented the Import Alert Tracking System that enables better coordination in enforcement actions through quicker access to information collected on illegal entries. The agency has also initiated the electronic transfer of certificate data elements from the New Zealand Food Safety Authority into the FSIS Automated Import Information System (AIIS). The transfer will be expanded to Australia upon completion of the testing phase. Additionally, FSIS coordinated a public meeting with local, State and Federal health partners and consumer groups and industry to share best practices and challenges for effective coordination during multi-jurisdictional foodborne outbreaks.	Information may be requested from the USDA Food Safety Inspection Service—Office of Program Evaluation, Enforcement and Review, Program Evaluation and Improvement Staff USDA-FSIS (202) 720-6735
4.1.3	FSIS Notice 65-07 Implementation Evaluation	Findings: The FSIS Program Evaluation and Improvement Staff (PEIS) evaluated the development and implementation of Notice 65-07, which directed establishments to reassess their Hazard Analysis and Critical Control Point (HACCP) plans regarding control of *E. coli* O157:H7. PEIS also evaluated the development and implementation of a checklist and worksheet circulated with the directive to collect data on establishments' controls for *E. coli* O157:H7. PEIS found that the response rate to the checklist and worksheet was very high, yielding copious data. PEIS also made a number of recommendations for improving the collection of such data in the future. It will focus on data collection instrument design and associated training. Actions: FSIS expects to implement a mechanism for inspection-program personnel to identify specific production records upon which such information is based. The agency will also provide the establishment management an opportunity to review the collected information. Collection of such information in this manner provides FSIS a means to verify the source and accuracy of the information.	http://www.usda.gov/oig/webdocs/24601-07-HY.pdf
	OIG Report No. 24601-4-KC: Audit Memorandum - Food Safety and Inspection Service Sampling and Testing for *E. coli*	Findings: OIG concluded FSIS plans for improving the sampling and testing procedures for *E. coli* O157:H7, "if timely and effectively implemented, will strengthen FSIS' verification activities and have a positive impact on identifying and mitigating food safety risks." OIG made no recommendations. Actions: FSIS announced a number of actions to improve its *E. coli* sampling and testing program based on the significant increase in positive test results, related illnesses and recalls of potentially contaminated raw ground beef product. Microbial testing is one of several activities FSIS uses to verify that meat process establishments have designed their food safety systems to prevent hazards.	http://www.usda.gov/oig/webdocs/24601-04-KC.pdf

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
	OIG Report No. 24601-09-Hy: Food Safety and Inspection Service Recall Procedures for Adulterated or Contaminated Product	Findings: OIG concluded that "FSIS has taken strides to strengthen and improve its investigative and recall procedures and took full advantage of its current authority to address recalls, such as the Topps Meat Company (Topps) recall." OIG recommended that FSIS: 1) develop a science-based sampling protocol to collect and analyze a representative quantity of intact samples to submit for testing during an outbreak investigation; and 2) finalize and implement the new directive for investigating foodborne illnesses and the revised directive for handling recalls. Actions: FSIS will develop and implement a science-based sampling protocol to collect a more representative sample of a product at an establishment during epidemiological investigations. The protocol will take into consideration the amount of relevant product available for testing. FSIS will also finalize and implement new directives for investigating foodborne illnesses and handling recalls.	
	GAO High Risk List Item	High Risk Issue: Almost 76 million people contract a foodborne illness in the U.S. annually. Another 325,000 require hospitalization and almost 5,000 die. Fragmented systems among Federal agencies have caused inconsistent oversight, ineffective coordination, and inefficient use of resources.	http://www.gao.gov/new.items/d07310.pdf
	GAO High Risk List Item Goal 1: Reduce illness caused by contamination of the food supply	Actions (Findings): Prevent or deter intentional and unintentional contamination of food supply through risk-based, cost-effective allocation of resources. Milestone (Actions): Implement the Salmonella Initiative Program to provide incentives for meat and poultry plants whose processes control foodborne pathogens. Focus inspection activities in FSIS-regulated establishments to enhance its inspection personnel's ability to comprehensively evaluate food-safety systems and take action to minimize consumer exposure to foodborne pathogens. Initiate internal review of CBP food agriculture inspection requirements for the next decade.	
	GAO High Risk List Item Goal 2: Reduce illness caused by contamination of the food supply	Actions (Findings): Early detection of contamination of the food supply. Milestone (Actions): Build a quality public health infrastructure with readily accessible data for key decision-makers and front-line personnel. Improve FDA detection systems and improve risk based annual import activities. Conduct real time surveillance of high-risk shipments of meat, poultry and egg products coming into the U.S. and vulnerability assessments focused on imports with FDA, USDA and the Bureau of Customs and Border Patrol.	
	GAO High Risk List Item Goal 3: Reduce illness caused by contamination of the food supply	Actions (Findings): Protect human health and mitigate impact of food supply contamination by responding rapidly in the even to food supply contamination through risk-based, cost-effective allocation of resources. Milestone (Actions): Enhance the Food Emergency Response Network to ensure better geographic coverage. Implement Supply Chain Source Verification Requirements to accelerate both the response and return to normalcy. Initiate development of new rapid response teams built on the California Food Emergency Response Team model.	

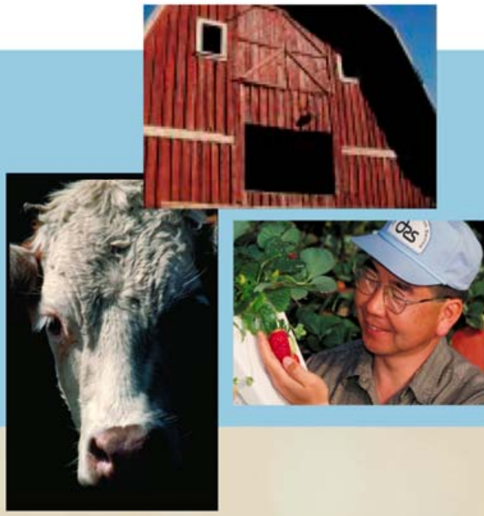
Perform. Measure	Title	Findings and Recommendations/Actions	Availability
4.2.1	GAO Report, July 2007, GAO-07-592 – National Animal Identification System: USDA Needs to Resolve Several Key Implementation Issues to Achieve Rapid and Effective Disease Trace-back	Findings: GAO recommended that the Secretary of Agriculture direct the Administrator of Animal and Plant Health Inspection Service (APHIS) to re-establish participation benchmarks to gauge progress in registering premises and identifying and tracking animals; monitor participation. If participation does not meet the benchmarks, further action will be necessary. In addition, GAO recommended that the Administrator of APHIS take seven other specific actions, as listed in the report, to implement National Animal Identification System (NAIS) more effectively and efficiently and achieve the program's goal of rapid and effective trace-back. Actions: On September 23, 2008, USDA published an updated version of *A Business Plan to Achieve Animal Disease Traceability* (available at www.usda.gov/nais). APHIS collaborated with Species Working Groups, State animal health officials and the National Animal Identification System (NAIS) Subcommittee to establish species-specific participation objectives and benchmarks that emphasize options to expand and more fully utilize existing animal disease programs. This business plan outlines actions that address all but one of the GAO recommendations for NAIS. USDA will address the remaining recommendation–requiring that participants submit more information than what is currently required in NAIS animal identification and tracking databases–once more data are collected and USDA can analyze how well the current requirements meet animal health officials' need.	Report is available at http://www.gao.gov/cgi-bin/getrpt?GAO-07-592
5.1	Pennsylvania SFSP Rural Eligibility Pilot Evaluation	Findings: Examines the impact of reducing the Summer Food Service Program (SFSP) eligibility threshold for poor economic areas in rural Pennsylvania from 50 percent to 40 percent of the children eligible for free and reduced-price school meals. The study found a 15-percent growth in SFSP sites during the pilot. Actions: No recommendations for action.	Available on the Food and Nutrition Service (FNS) Web site at: http://www.fns.usda.gov/oane/MENU/Published/CNP/FILES/PASFSPRuralPilot.pdf
	The Nebraska Rural Area Eligibility Determin`ation Pilot for the CACFP	Findings: Examines the impact of reducing the Child and Adult Care Food Program (CACFP) area eligibility threshold in rural areas in Nebraska. Found that previously participating providers stayed in the program for longer periods under the pilot, resulting in an increase in the number of rural family day care homes. Actions: No recommendations for action.	Available on the FNS Web site at: http://www.fns.usda.gov/oane/MENU/Published/CNP/FILES/neraed.pdf
5.2	School Nutrition Dietary Assessment III	Findings: Examines the nutrient content of school meals, other foods sold in school and children's diets. Actions: No recommendations for action.	Available on the FNS Web site at: http://www.fns.usda.gov/oane/MENU/Published/CNP/FILES/SNDAIII-SummaryofFindings.pdf
	Food Stamp Program: Options for Delivering Financial Incentives to Participants for Purchasing Targeted Foods, July 2008	Findings: Examined ways to encourage food stamp participants to purchase healthy foods. It also described key factors to consider when designing such a program and possible options for implementing incentives. Actions: No recommendations for action.	Available on the GAO Web site at: http://www.gao.gov/new.items/d08415.pdf
5.3	Access, Participation, Eligibility and Certification Study, November 2007	Findings: Estimates the level of program errors and related improper payments in the school meals programs. Roughly $1.8 billion in payment errors, including both overpayments and underpayments, were made in the school meals programs during the 2005-2006 school year. Actions: While the report has no recommendations for action, USDA is addressing improper payments in these programs.	Available on the FNS Web site at: http://www.fns.usda.gov/oane/MENU/Published/CNP/FILES/apecvol1.pdf

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
	School Lunch and Breakfast Meal Cost – II, April 2008	Findings: Estimates the level and types of costs to produce school meals and the level and sources of revenues used to cover them in school year 2005-06. In general, the study found that little had changed since meal costs were last examined (SY 1992-1993). Actions: No recommendations for action.	Available on the FNS Web site at: http://www.fns.usda.gov/oane/MENU/Published/CNP/FILES/MealCostStudy.pdf
	Electronic Payments: Many Programs Electronically Disburse Federal Benefits and More Outreach Could Increase Use	Findings: Describes the extent to which Federal benefit programs are using electronic payments, factors agencies consider for their use and options for increasing use of electronic payments. Food Stamp and Women Infant and Children Program (WIC) experiences with electronic benefit payments are discussed throughout. Actions: No recommendations for action by USDA.	Available on the GAO Web site at: http://www.gao.gov/new.items/d08645.pdf
6.1	OIG Report No. 50601-12-KC issued October 2007. Hurricane Relief Initiatives: Emergency Watershed Protection Program and Disposal of Dead Animals	Findings: Initial Allocations of Emergency Watershed Protection (EWP) Funding Not Directed to the Highest Priority Projects across the Disaster Impacted Area. Recommendations: For future major disasters, evaluate the use of program funding across the multi-State disaster area to ensure that available funding can be put to the highest priority or best use. Actions: As of April 8, 2008, A National Bulletin 390-14, was sent to State Conservationists Stating that Damage Survey Report will be used to prioritize sites within a State and to prioritize sites for funding during multi-state disasters. The EWP Program Manual at 502.14 B identifies the funding priorities for recovery measures. These priorities are established in regulation (7 CFR 624.8(c)(3)) and, in order of importance, are: (i) Exigency situations; (ii) Sites where there is a serious, but not immediate threat to human life; and (iii) Sites where buildings, utilities or other important infrastructure components are threatened. Findings: In the aftermath of the hurricanes, Natural Resources Conservation Service (NRCS) also provided a process whereby producers with dead poultry could receive assistance to help with the costs of removal and disposal of dead birds. The assistance rate paid by NRCS, for producer costs associated with the removal and disposal of dead poultry, was established in relation to the number of poultry houses subject to clean out, rather than the number of dead birds subject to disposal/burial. Thus, the assistance rate was not commensurate with the activity for which assistance was being provided and payments to producers were not always reasonable, based on the amount of work to be performed. Additionally, the assistance rate was not limited to reimbursement of actual cost incurred by producers. While producers were certified to the completion of required work, they were not required to submit invoices supporting actual expenses incurred in the disposal of dead poultry. Evaluate whether producers who received assistance at the onset of the payment process for the removal and disposal of dead poultry received reasonable amounts of assistance based on the required work performed. Initiate appropriate corrective actions for all cases where the amount of assistance was not reasonable based on the number of poultry subject to disposal/burial. Actions: An analysis was conducted.	http://www.usda.gov/oig/webdocs/50601-12-KC.pdf

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
6.1, 6.2, 6.3, 6.4	GAO-08-755T report issued May 2008. Management of Civil Rights Efforts Continues to Be Deficient Despite Years of Attention	Findings: GAO findings were in regards to weaknesses described in resolving discrimination complaints and providing minorities access to programs. NRCS' Civil Rights Division (CRD) has not completed nor been required to complete any evaluations that would impact the Department's Assistant Secretary for Civil Rights (ASCR) planned actions to address the audit's findings. Thus, the response to the findings and recommendations/actions would be provided by the Department's ASCR. Actions: NRCS' CRD continues to support the Department's ASCR wherein employment and program information is noted in the agency's strategic plan; all employees have a Civil Rights and Equal Employment Opportunity critical-performance element; timely submission of the Section 10708 (program outreach) report; and efficient processing of program and employment complaints party contractor, selected competitively to examine the effectiveness of its program-allocation formula, concluded that NRCS needs to (1) develop better outcome-based performance information and integrate the information into its allocation formula; (2) improve the analytical soundness of the allocation formulas, factors, weights and data particularity through the elimination of redundant factors; and (3) improve the transparency of the allocation formulas. Thus, recommendation 5 is closed. Recommendations 6 and 7 submitting for change of management decision.	http://www.gao.gov/new.items/d08755t.pdf
6.1, 6.3, 6.4	OIG 50099-11-SF report issued August 2007 Natural Resources Conservation Service and Farm Service Agency: Crop Bases on Lands with Conservation Easements in California	Findings: OIG recommended NRCS provide training for field office staff in California on their responsibilities for notifying the Farm Service Agency (FSA) of recorded easements. Actions: To ensure that this recommendation was completed, NRCS placed it as an action item in the agency's business plan and individual performance plans. As of January, 31, 2008, the Easement Programs Division conducted training with California State and field office staff regarding their responsibilities of notifying FSA of recorded easements. A program review was also conducted in January 2008. NRCS continues to conduct monthly programmatic and administrative training via teleconference with its State and field office staff nationwide. Actions: Management decision reached on all NRCS recommendations. The Office of the Chief Financial Officer accepted final action and closed this audit for NRCS in April 2008.	http://www.usda.gov/oig/webdocs/50099-11-SF.pdf
6.2, 6.3	GAO-07-1054 report issued September 2007. Agricultural Conservation: Farm Program Payments Are an Important Factor in Landowners' Decisions to Convert Grassland to Cropland	Findings: GAO recommends that USDA (1) track the annual conversion of native grassland to cropland to provide policymakers with more comprehensive and current information on such conversions; and (2) the Secretary of Agriculture direct the Economic research Service and FSA administrators and the NRCS chief to jointly study the extent to which farm program payments and conservation programs may be working at cross purposes and report findings to the Secretary and Congress. Actions: FSA adjusted its reporting system to provide information from its crop acreage reports to produce an annual report. The report identified the acres of crops planted on non-cropland, the greater part of which consists of rangeland that has not previously been cropped. Additionally, to the extent possible, FSA will also identify in the annual report those newly reported acres that were converted from native grasslands.	http://www.gao.gov/new.items/d071054.pdf

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
		ERS, FSA and NRCS will convene a working group to explore data availability and approaches to producing a report covering farm program payments and conservation programs that may be working at cross purposes. The multi-agency group will present a report plan to the Secretary of Agriculture. ERS has drafted one and is circulating it at the agency level for comments with the expectation it can be presented for the Secretary's review.	
6.2, 6.4	OIG Report No. 50601-13-KC issued June 2008. Natural Resources Conservation Service Status Review Process	Findings: OIG evaluated changes to the status review process based on prior audit recommendations it made with GAO. The changes were related to tract selection for status reviews, steps for performing the status review process and the reporting of status review results. Actions: The report contains no recommendations. NRCS satisfactorily implemented key improvements regarding the sampling methodology and the process by which status review results are summarized, analyzed and reported.	http://www.usda.gov/oig/webdocs/50601-13-KC.pdf
6.3.1 6.3.2 6.3.3	OIG Audit 08601-52-SF, August 2008, *FS Renewable Energy Program*	Findings: The OIG found that FS needs to establish national and regional renewable energy goals. IG added that, while Forest Service (FS) does have a national strategy for woody biomass, the plan does not include annual performance measures for using woody biomass for renewable energy purposes, nor does it establish quantifiable performance measures for FS' regions. Actions: When FS updates its national strategy plan, it will add objectives and strategies on renewable energy resources, as appropriate. Meantime, FS will use the climate change strategic framework and the woody biomass strategy for national renewable energy planning. Findings: OIG found that FS did not implement the woody biomass renewable energy program consistently. While FS made each of its regions responsible, it gave no direction about what staff resources to allocate and how to execute the program. Thus, some regions were noticeably less productive than others at fostering collaborative efforts to increase the supply of renewable energy. Actions: FS will continue to assess staffing needs to meet multiple goals, including renewable energy resources. The regions, stations and Northeast area will identify key individuals for other aspects of renewable energy resources. FS will also develop standardized position descriptions as much as possible. If regional woody biomass renewable energy coordinator positions are established, the position description will be standardized. Findings: OIG found that FS does not track information pertaining to its renewable energy program adequately. Specifically, hazardous fuels reduction work in FS' forests produces green tons of biomass materials (e.g., underbrush) that are renewable energy resources. However, FACTS does not contain a field for these green tons. Instead, it has a checkbox that only allows the user to mark whether or not any biomass materials were produced during the fuels reduction, without a choice for the quantity produced. This practice denies FS the opportunity to: (1) track any green tons used for renewable energy purposes; and (2) ascertain the amount of potential renewable energy available nationwide from biomass materials harvested. even if they are not used. IG also found that policies and guidelines in the FS handbook/manual that establish tracking and reporting procedures for the improved automated database system(s) are needed.	Report is available at: http://www.usda.gov/oig/webdocs/08601-52-SF.pdf.

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
		Actions: FS began collecting woody biomass data (green ton) during Fiscal Year 2007 from all vegetation management activities that utilize woody biomass removed from National Forest System (NFS) lands for energy purposes. All other wood products removed from NFS lands are accounted for and tracked though the same processes and databases. FS will continue to use and modify current data base systems. It has developed and issued policy and guidelines using a policy letter to field units for woody biomass tracking. The policy letter will be added to the manual/handbook.	
6.4	GAO-08-130 report issued December 2007. Coastal Wetlands: Lessons Learned from Past Efforts in Louisiana Could Help Guide Future Restoration and Protection	Findings: While GAO's review closed with no issuance of recommendations, it emphasized the need for agencies to carefully consider the lessons learned from the Coastal Wetlands Planning, Protection and Restoration Act program as they propose significantly larger efforts to restore Louisiana's coast. GAO received technical comments from the U.S. Department of Commerce and the U.S. Environmental Protection Agency, which have been incorporated as appropriate. Actions: Audit closed October 14, 2007. Letter sent to GAO dated December 19, 2007, from Under Secretary of Natural Resources and Environmnet mission area addressing two incorrect items in the report.	http://www.gao.gov/new.items/d08130.pdf
	OIG Report No. OIG/10099-4-SF issued August 2008. Wetlands Reserve Program – Wetlands restoration and Compliance	Findings: Management decision reached on recommendations 1, 2, 3, 4, 5, 6, and 8 in late August 2008. OIG Recommendation 7: Direct the NRCS Arkansas State Office to collect the $578 cost share or provide supporting documentation to substantiate in-kind contribution from the landowner. Actions: NRCS is working with the landowner to collect the $578 of cost-share. This transaction is scheduled to be completed in 2008.	http://www.usda.gov/oig/webdocs/10099-4-SF.pdf



3 Financial Statements, Notes, Supplemental and Other Accompanying Information

Message from the Chief Financial Officer

The Department of Agriculture (USDA) programs and activities affect every American, every day, by providing a safe and stable food supply, nutrition assistance, renewable energy, rural economic development, care for forest and conservation lands, and global opportunities for farm and forest products. To successfully accomplish its mission, USDA operates more than 300 programs worldwide through an extensive network of Federal, State, and local cooperators.

The employees of the USDA work hard. They understand the importance of customer centric service, efficient processes, and fiscal responsibility in executing the programs funded by Congress. Here is a brief list of our results:

- As the nation's eighth largest bank in terms of loan portfolios. USDA's loan portfolio is valued at $107 billion. USDA makes loans for housing, power generation, water treatment facilities, and business and industry loans. The loan servicing center measures customer service, response times, and delinquent loans against national bank standards. These measurements show that USDA operations are in the top tier in all three measurements. The current delinquent amount for our loans is $3.3 billion or 3.1 percent of the portfolio. This is a vast reduction from the $6.6 billion or $6.6 percent recognized in fiscal year 2003. This year, with collections over $1.1 billion, USDA was recognized as one of the top collectors of delinquent debt in the government.
- USDA was recognized through the President's Management Agenda Scorecard for the reduction in improper payments from $4.6 billion in FY 2007 to $4.1 billion in FY 2008. This recognition and reduction occurred while including in the measurement of two additional nutrition assistance programs.
- Over the past 2 fiscal years, USDA identified and tracked 218 control deficiencies and has corrected 172, or 72 percent, of the prior year's deficiencies. Once again USDA reduced the number of open audit issues.
- Twelve months ago, USDA began implementation of a 36 month plan to correct the material weakness for IT Security. This year USDA OCIO reorganized its operations, held monthly security meetings with the agencies, procured Department-wide security tools, and implemented a new monitoring system. The audit report notes that improvement in Information Technology Security for multiple agencies and the progress of the Department.

While we continue to make progress in financial management, we cannot yet give unqualified assurance of compliance with the Federal Managers' Financial Integrity Act or the financial systems requirements of the Federal Financial Management Improvement Act. We continue to focus on this issue by supporting the replacement of the core general ledger system and the farm payment systems. Both these systems are out dated and no longer supported by their vendors.

Our employees are dedicated to protecting and managing the substantial resources entrusted to them by Congress and the American people to perform the important work of this Department. We are proud of our accomplishments for FY 2008 and the hard working employees at USDA. USDA is committed to providing sound management of the resources under our stewardship and to communicating the effectiveness of our efforts to all Americans through this Performance and Accountability Report.

Charles R. Christopherson, Jr.
Chief Financial Officer
Chief Information Officer
November 17, 2008

Report of the Office of Inspector General

USDA

UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250

NOV 14 2008

REPLY TO
ATTN OF: 50401-65-FM

TO: Charles R. Christopherson, Jr.
Chief Financial Officer
Office of the Chief Financial Officer

ATTN: Kathy Donaldson
Audit Liaison Officer
Office of the Chief Financial Officer
Planning and Accountability Division

FROM: Phyllis K. Fong
Inspector General

SUBJECT: U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2008 and 2007

This report presents the results of our audits of the U.S. Department of Agriculture's consolidated financial statements for the fiscal years ending September 30, 2008, and 2007. The report contains an unqualified opinion for fiscal year 2008 and a qualified opinion for fiscal year 2007, as well as the results of our assessment of the Department's internal control over financial reporting and compliance with laws and regulations. Your response is included in its entirety as exhibit C.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, including the timeframes, on our recommendations. Please note that the regulation requires a management decision to be reached on all findings and recommendations within a maximum of 6 months from report issuance.

We appreciate the courtesies and cooperation extended to us during the audits.

U.S. Department of Agriculture

Office of Inspector General
Financial & IT Operations

Audit Report

U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2008 and 2007

NOTICE - THIS REPORT IS RESTRICTED TO OFFICIAL USE ONLY.
This report is provided to Federal officials solely for their official use. Further distribution or release of this information is not authorized without OIG approval.

Report No. 50401-65-FM
November 2008

Executive Summary

U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2008 and 2007 (Audit Report No. 50401-65-FM)

Purpose

Our audit objectives were to determine whether (1) the consolidated financial statements present fairly, in all material respects, in accordance with generally accepted accounting principles, the assets, liabilities, and net position, net costs, changes in net position, and related combined statements of budgetary resources; (2) the internal control objectives over financial reporting were met; (3) the Department complied with laws and regulations for those transactions and events that could have a direct and material effect on the consolidated financial statements; and (4) the information in the Performance and Accountability Report was materially consistent with the information in the consolidated financial statements.

We conducted our audits at the financial offices of various U.S. Department of Agriculture (USDA) agencies and the Office of the Chief Financial Officer located in Washington, D.C., and its National Finance Center located in New Orleans, Louisiana. We also performed site visits to selected agencies' field offices.

Results in Brief

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of USDA as of September 30, 2008, and its net costs, changes in net position, and budgetary resources for the year then ended, in conformity with accounting principles generally accepted in the United States of America For fiscal year 2007, we issued a qualified opinion on USDA's consolidated balance sheet and its related consolidated statements of net cost; and changes in net position due to our inability to obtain sufficient, appropriate evidence to support financial statement amounts related to credit reform processes for Rural Development, a reporting component of USDA.

We have also issued reports on our consideration of USDA's internal control over financial reporting and its compliance with certain provisions of laws and regulations.

For internal control over financial reporting, we identified two significant deficiencies as follows:

- improvements are needed in overall financial management; and
- improvements are needed in information technology (IT) security and controls.

We believe that these two significant deficiencies are material weaknesses. Our report on compliance with laws and regulations discusses three instances of noncompliance relating to the Federal Financial Management Improvement Act, the Anti-Deficiency Act, and certain aspects of Appropriations Law.

Key Recommendation

As discussed in its Federal Managers' Financial Integrity Act of 1982 report, the Department has plans to address the weaknesses discussed in the report. The key recommendation in this report was limited to additional improvements needed in financial management with respect to obligations.

Agency Response

OCFO concurred with the two material weaknesses and findings related to compliance with laws and regulations contained in your report. The Department plans to submit a detailed action plan no later than December 31, 2008, to address the findings and recommendations contained in our report.

OIG Position

Management decision should be achievable upon our review of the action plan.

USDA/OIG-A/50401-65-FM Page ii

Abbreviations Used in This Report

ADA	Anti-Deficiency Act
C&A	certification and accreditation
CCC	Commodity Credit Corporation
CFO	Chief Financial Officer
DM	Departmental Manual
FDCC	Federal Desktop Core Configurations
FFIS	Foundation Financial Information System
FMFIA	Federal Managers' Financial Integrity Act of 1982
FFMIA	Federal Financial Management Improvement Act of 1996
FFMSR	Federal Financial Management System Requirements
FISMA	Federal Information Security Management Act of 2002
FS	Forest Service
GAO	U.S. Government Accountability Office
IT	information technology
ITS	International Technology Service
NFC	National Finance Center
NIST	National Institute of Standards and Technology
NITC	National Information Technology Center
NRCS	Natural Resources Conservation Service
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OGC	Office of General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
P2P	peer to peer
POA&M	plan of action & milestones
RSI	Required Supplementary Information
RSSI	Required Supplemental Stewardship Information
SFFAS	Statement of Federal Financial Accounting Standards
SGL	U.S. Government Standard General Ledger
SP	Special Publication
Treasury	U.S. Department of the Treasury
USDA	U.S. Department of Agriculture

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USDA

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

Report of the Office of Inspector General

To: Charles R. Christopherson, Jr.
Chief Financial Officer
Office of the Chief Financial Officer

We have audited the accompanying consolidated balance sheets of the U.S. Department of Agriculture (USDA) as of September 30, 2008, and 2007, and the related consolidated statements of net cost; changes in net position; and the combined statements of budgetary resources (hereinafter referred to as the "consolidated financial statements") for the fiscal years then ended. The consolidated financial statements are the responsibility of USDA's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

Except as noted in the following paragraph with respect to the fiscal year 2007 audit, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements,* as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of USDA as of September 30, 2008; and its net costs, and changes in net position, and budgetary resources for the year then ended, in conformity with accounting principles generally accepted in the United States of America. For fiscal year 2007, we issued a qualified opinion on USDA's consolidated balance sheet, and its related statement of net cost; and changes in net position due to our inability to obtain sufficient, appropriate evidence to support financial statement amounts related to credit reform processes for Rural Development, a reporting component of USDA.

As discussed in Note 30, in fiscal year 2008 USDA was determined to be the appropriate reporting entity for reporting activity and balances in an unavailable special fund receipt account relating to U.S. Customs duties. Also as discussed in Note 30, USDA implemented a voluntary change in accounting principles to reclassify its road prism assets to stewardship property, plant, and equipment for the Forest Service, a component of USDA. As discussed in Note 1, USDA reclassified liabilities for entitlements and grants from "Accounts Payable" to "Benefits Due and

Payable," and "Other Liabilities," respectively, to conform to OMB and U.S. Department of Treasury guidance. Furthermore, as discussed in Notes 1, 29, and 30, USDA changed its method of accounting and reporting for allocation transfers (parent-child relationships) and its method of reporting the reconciliation of budgetary resources obligated to the net cost of operations in fiscal year 2007 to adopt the provisions of OMB Circular No. A-136, *Financial Reporting Requirements*. Lastly, as discussed in Note 1, the Department is phasing in the implementation of the Statement of Federal Financial Accounting Standards (SFFAS) 29, *Heritage Assets and Stewardship Land.*[1]

Except for the sections containing the financial statements and related notes, the information in the Performance and Accountability Report (PAR) is not a required part of the consolidated financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America and OMB Circular No. A-136. These other sections of the PAR contain a wide range of information, some of which is not directly related to the financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. We did not audit this information and, accordingly, we express no opinion on it. However, as a result of such limited procedures, we believe that the Required Supplementary Information related to deferred maintenance is lacking internal controls to ensure the accuracy, completeness, and timeliness of the reported information.

We have also issued reports on our consideration of USDA's internal control over financial reporting and its compliance with certain provisions of laws and regulations. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and, in considering the results of the audit, should be read in conjunction with this report. For internal control over financial reporting, we identified two significant deficiencies as follows:

- improvements are needed in overall financial management; and
- improvements are needed in information technology (IT) security and controls.

We believe that these two deficiencies are material weaknesses.

Our report on compliance with laws and regulations discusses three instances of noncompliance relating to the Federal Financial Management Improvement Act, the Anti-Deficiency Act, and certain aspects of Appropriations Law.

USDA's response to the findings in our audit is included in exhibit C. We did not audit the response and, accordingly, express no opinion on it.

[1]SFFAS 29 was issued July 7, 2005 and reclassifies the reporting of Heritage and Stewardship Land information over time. SFFAS 29 will be fully implemented for reporting periods beginning after September 30, 2008.

This report is intended solely for the information of the management of USDA, OMB, and Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Phyllis K. Fong
Inspector General

November 14, 2008

USDA/OIG-A/50401-65-FM Page 3

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

Report of the Office of Inspector General on Internal Control Over Financial Reporting

To: Charles R. Christopherson, Jr.
Chief Financial Officer
Office of the Chief Financial Officer

We have audited the accompanying consolidated balance sheets of the U.S. Department of Agriculture (USDA) as of September 30, 2008, and 2007, and the related consolidated statements of net cost; changes in net position; and the combined statements of budgetary resources (hereinafter referred to as the "consolidated financial statements") for the fiscal years then ended and have issued our report thereon, dated November 14, 2008. Except as discussed in our opinion for credit reform processes in fiscal year 2007, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audits, we considered USDA's internal control over financial reporting by obtaining an understanding of the design effectiveness of internal controls, determining whether the internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04 and *Government Auditing Standards*. We did not test all internal controls as defined by the Federal Managers' Financial Integrity Act (FMFIA) of 1982. The objective of our audits was not to provide assurance on USDA's internal control. Consequently, we do not provide an opinion on internal control over financial reporting or on USDA's assertion on internal control included in Management's Discussion and Analysis.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants significant deficiencies are deficiencies in internal control, or a combination of deficiencies, that adversely affect USDA's ability to initiate, authorize, record, process, or report financial data reliably and in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the financial statements being audited that is more than inconsequential will not be prevented or detected. Material weaknesses are significant deficiencies, or combinations of significant deficiencies, that result in more than a remote likelihood that material misstatements in relation to the consolidated financial statements being audited will not be prevented or detected. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected.

We noted certain matters described in the "Findings and Recommendation" involving the internal control over financial reporting and its operation that we consider to be significant deficiencies as follows:

- improvements are needed in overall financial management (Section 1); and
- improvements are needed in information technology (IT) security and controls (Section 1).

We believe that these two deficiencies are also material weaknesses.

Additional Other Procedures

As required by OMB Bulletin No. 07-04, we considered USDA's internal controls over Required Supplementary Information (RSI) and Required Supplemental Stewardship Information (RSSI) by obtaining an understanding of the internal controls, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. Our procedures were not designed to provide assurance on internal controls over such, RSI and RSSI; accordingly, we do not provide an opinion on such controls. However, as a result of such limited procedures, we believe that the RSI related to deferred maintenance is lacking controls to ensure the accuracy, completeness, and timeliness of the reported information.

The material weaknesses noted above were disclosed in USDA's FMFIA report.

This report is intended solely for the information and use of the management of USDA, OMB, and Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Phyllis K. Fong

Phyllis K. Fong
Inspector General

November 14, 2008

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

Report of the Office of Inspector General on Compliance With Laws and Regulations

To: Charles R. Christopherson, Jr.
Chief Financial Officer
Office of the Chief Financial Officer

We have audited the consolidated balance sheets of the U.S. Department of Agriculture (USDA) as of September 30, 2008, and 2007, and the related consolidated statements of net cost; changes in net position; the combined statements of budgetary resources (hereinafter referred to as the "consolidated financial statements") for the fiscal years then ended and have issued our report thereon, dated November 14, 2008. Except as discussed in our opinion for credit reform processes in fiscal year 2007, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The management of USDA is responsible for complying with applicable laws and regulations. As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we performed tests of USDA's compliance with certain provisions of laws and regulations, contracts and agreements, and Governmentwide policy requirements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts. We also obtained reasonable assurance that USDA complied with certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including requirements referred to in the Federal Financial Management Improvement Act of 1996 (FFMIA), except for those that, in our judgment, were clearly inconsequential. We noted no reportable instances of noncompliance with these laws and regulations, except as disclosed in this report. We limited our tests of compliance to the provisions described in the preceding sentences and did not test compliance with all laws and regulations applicable to USDA. However, providing an opinion on compliance with laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed two instances of noncompliance with laws and regulations discussed in the second paragraph of this report, exclusive of FFMIA, that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 07-04. Specifically, we reported noncompliance with the Anti-Deficiency Act and certain aspects of Appropriations Law.

This report is intended solely for the information and use of the management of USDA, OMB, and Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Phyllis K. Fong

Phyllis K. Fong
Inspector General

November 14, 2008

Findings and Recommendation

Section 1. Internal Control Over Financial Reporting – Material Weaknesses

Material weaknesses are significant deficiencies, or combinations of significant deficiencies, that result in more than a remote likelihood that material misstatements in relation to the consolidated financial statements being audited will not be prevented or detected. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. We believe that the findings discussed in this section are material internal control weaknesses.

Finding 1 **Improvements Are Needed in Overall Financial Management**

During fiscal year 2008, the USDA continued to make improvements in its financial management. However, we noted areas where further improvements are needed. Details follow.

- Our review of the Commodity Credit Corporation's (CCC) credit reform models in fiscal year 2008 disclosed that the internal control weaknesses in the model validation and verification process continued to exist. Specifically, we identified certain errors in the Public Law 480 and the Farm Storage models related to data input and/or model logic. The errors were identified through the audit process, and as a result, the models were revised multiple times. All significant errors in the models were corrected by the end of the audit. As noted in fiscal year 2007, CCC's model validation and verification procedures were not sufficiently thorough. As such, management's oversight of the development, implementation, and maintenance of the cash flow models and the related calculations for the Credit Reform program were not effective and errors continue to exist in the model versions submitted for audit. The lack of effective management review and approval procedures related to the development, implementation, and maintenance of the cash flow model changes and functionality increased the risk that material errors in the models would exist and not be detected by CCC's internal controls, thereby increasing the risk of material misstatement to the financial statements and related disclosures.

- Overall, Rural Development made significant improvement in its credit reform processes. Considerable efforts were made to ensure adequate quality control was maintained. Those efforts resulted in deliverables that underwent quality control prior to our review and generally provided timely and adequate support for the credit reform reestimates. However, we identified opportunities for further improvements to the direct Single Family Housing, non-housing, and electric underwriter models.[2]

In its fiscal year 2008 Federal Managers' Financial Integrity Act (FMFIA) of 1982 report, the Department noted that controls were lacking over credit reform. Specifically, the quality assurance process to ensure that the cash flow models, data inputs, estimates, and reestimates for financial reporting were not subject to appropriate controls and management oversight. The FMFIA report further stated that the U.S. Department of Agriculture (USDA) plans to reinstitute the Credit Reform Working Group in fiscal year 2009, to improve coordination and communication.

- We noted that obligations were not always valid because agencies were not effectively reviewing all unliquidated (open or active) obligations and taking appropriate actions (de-obligating).[3] Invalid obligations increase the risk that funds may be inappropriately diverted for purposes other than what Congress intended. The U.S. Department of the Treasury's (Treasury) annual closing guidance (Treasury Bulletin No. 2008-06, *Yearend Closing*, dated July 11, 2008) requires an annual review of unliquidated obligations. Departmental Regulation 2230-1, *Reviews of Unliquidated Obligations,* dated August 22, 2006, requires annual reviews and certifications from agency Chief Financial Officers (CFO) that the annual reviews were performed and unliquidated obligations were valid based on the reviews.

  During our fiscal year 2007 audit, we selected 60 unliquidated obligations from 11 agencies for which no activity had occurred for over 2 years. We noted that 29 of 60 (48 percent) of the obligations reviewed were invalid and agencies indicated the items would be de-obligated. This year, we selected a similar nonstatistical sample of 60 obligations from 6 agencies and found that 44 (73 percent) of the obligations reviewed were invalid and agencies planned to de-obligate the items. (Our sample was selected from activity as of May 31, 2008, and the annual certification was required to be complete by July 31, 2008. Therefore, we recognize that some of the items may have ultimately been resolved.)

  We also found that CCC did not timely analyze liabilities and obligations for the Direct and Countercyclical Payment Programs

[2]For Rural Development, this weakness was considered a significant deficiency. Details are discussed in Audit Report No. 85401-15-FM, *Rural Development's Financial Statements for Fiscal Years 2008 and 2007.*

[3]An obligation is a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

related to the 2007 program year. The auditors identified significant errors as of September 30, 2008. As a result, CCC made adjusting entries to reduce accrued liabilities and undelivered orders by about $215 million and $510 million, respectively.

In its FMFIA report for 2008, USDA continued to report a material weakness relating to the lack of consistent review and follow up on unliquidated obligations. The Department has several planned actions for fiscal year 2009 and indicated that the material weakness will be resolved during fiscal year 2009.

- We also noted abnormal balances existed on the USDA fiscal yearend trial balance that were not fully researched and corrected. As of fiscal yearend, 29 abnormal account balances existed, totaling about $1.2 billion. According to the Department, the existence of an abnormal balance indicates that transactions or adjustments may have been posted in error.

- For fiscal year 2008, we attempted to perform the first year audit of Natural Resources Conservation Service's (NRCS) financial statements (Audit No. 10401-2-FM, *NRCS' Financial Statements for Fiscal Year 2008*). However, NRCS was unable to provide sufficient evidential matter in support of transactions and account balances particularly with respect to obligations, accrued expenses, undelivered orders, and unfilled customer orders. NRCS was not able to complete corrective actions and make adjustments, as necessary, to these and other financial statement amounts, prior to the completion of its audit.

Recommendation 1

Provide additional oversight to ensure that general ledgers reflect valid obligations and that agencies perform the required reviews timely and effectively.

Agency Response. OCFO concurred with the two material weaknesses and findings related to compliance with laws and regulations contained in your report. The Department plans to submit a detailed action plan no later than December 31, 2008, to address the findings and recommendations contained in our report.

OIG Position. Management decision should be achievable upon our review of the action plan.

Finding 2	Improvements Are Needed in Information Technology (IT) Security and Controls

We performed an independent evaluation of the Department's IT security program and practices as required by the Federal Information Security Management Act of 2002 (FISMA). We also performed reviews of the general control structure of the Office of the Chief Information Officer/National Information Technology Center (OCIO/NITC) and the Office of the Chief Financial Officer/National Finance Center (OCFO/NFC) located in Kansas City, Missouri, and New Orleans, Louisiana, respectively.

We noted that efforts of the USDA's OCIO and Office of Inspector General (OIG) in the past several years have heightened program management's awareness of the need to plan and implement effective IT security. Under OCIO's guidance, the Department has made significant progress in implementing an effective IT security program. Forest Service and CCC made significant improvements in the IT security area, and as a result weaknesses noted were only considered to be significant deficiencies in their fiscal year 2008 audit reports. Additionally, OCIO/NITC sustained its unqualified opinion on the general control environment. OCFO/NFC sustained its unqualified opinion on the design of its general control structure and improved to an unqualified opinion on the operating effectiveness of its controls. Additionally, the Department implemented a comprehensive tool for FISMA monitoring, which facilitates the Department's ability to identify common threats and vulnerabilities, supports a security control baseline to achieve FISMA compliance, and provides comprehensive IT weakness tracking.

The following summarizes the key problems identified.

- Agencies did not always assess the severity of plan of action and milestones (POA&M) and/or prioritize required actions.

- OCIO improved its concurrency review process in assessing the quality of the certification and accreditation (C&A), documentation during fiscal year 2008.[4] However, we found that agencies' C&A packages submitted to OCIO generally did not meet National Institute of Standards and Technology (NIST) requirements.[5]

[4]The USDA concurrency review is a quality control process by OCIO to review the C&A documentation prior to approving an Authority to Operate for the agency IT systems.

[5]NIST Special Publication (SP) 800-37, *Guide for the Security Certification and Accreditation of Federal Information Systems,* dated May 2004.

- The Department had not fully implemented its plan to protect personally identifiable information.

- Departmental agencies were not always using the mandated NIST security configuration checklists when deploying hardware and software.[6]

- On March 27, 2007, the Office of Management and Budget (OMB) required the deployment of the Federal Desktop Core Configurations (FDCC). FDCC defines the minimum IT security requirements. We noted that less than 5 percent of the Department's laptops/desktops were fully compliant with FDCC.

- The Department and its agencies were not always following documented policies and procedures for identifying and reporting incidents internally to OCIO and OIG and/or externally to law enforcement authorities and the U.S. Computer Emergency Readiness Team.

- We found that USDA was not adequately monitoring and prohibiting the downloading of peer to peer (P2P) software.[7] This occurred because OCIO believed P2P activity did not pose a significant threat compared to other types of incidents and, therefore, did not concentrate on this activity. As a result, USDA networks were vulnerable to damage that could be caused by malicious software, viruses, and worms imbedded within P2P files.

- Our review disclosed 265 vulnerabilities that existed for over 30 days without recorded POA&Ms. We also found devices on an agency's network that the agency was not aware of and, as a result, that were not scanned.

- We found that 134 of the 144 disaster recovery plans we reviewed were not documented in accordance with Federal and Departmental guidance.[8]

- Agencies were not always adequately patching software for known vulnerabilities. Routinely applying patches is an effective method of mitigating risk and/or correcting identified vulnerabilities.

[6]NIST SP 800-70, *Security Configuration Checklists Program for IT Products – Guidance for Checklists, Users and Developers*, dated May 2005.

[7]P2P is a method of file sharing over a network in which individual computers are linked via the Internet or a private network to share programs/files, often illegally. Users download files directly from other users' computers rather than from a central server.

[8]NIST SP 800-34, *Contingency Planning Guide for Information Technology Systems*, dated June 2002; and DM 3570-001, *Disaster Recovery and Business Resumption Plans*, dated February 17, 2005.

Our audit work disclosed significant deficiencies for NRCS and CCC relating to the IT general control environment that is managed by the International Technology Service (ITS), a service organization within USDA. ITS manages the network/server infrastructure that supports major applications. The significant deficiency existed primarily because vulnerabilities identified on the ITS network were not consistently remediated according to Departmental policy and patches were not effectively applied. We did not consider the ITS weaknesses to be material.

The USDA is a complex organization with 29 separate agencies/offices. We understand that a robust IT security program takes time to mature. OCIO has implemented a plan to address the IT weaknesses and fiscal year 2008 was the first year of the three year plan. While many improvements were made, due to the significance of the issues noted during our FISMA review, IT security remained a material internal control weakness.

The Department and its agencies are in the process of addressing the above weaknesses. Therefore, we are making no recommendations in this report.

Section 2. Compliance With Laws and Regulations

The management of USDA is responsible for complying with applicable laws and regulations. As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we performed tests of USDA's compliance with certain provisions of laws, regulations, contracts and agreements, and Governmentwide policy requirements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts. We also obtained reasonable assurance that USDA complied with certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including requirements referred to in FFMIA, except for those that, in our judgment, were clearly inconsequential. We noted noncompliance with certain aspects of FFMIA, the Anti-Deficiency Act (ADA), and certain aspects of Appropriations Law. Additionally, during fiscal year 2008 the Department completed several corrective actions relating to Managerial Cost Accounting practices and indicated substantial compliance had been achieved with applicable laws and regulations.[9] Therefore, we are no longer reporting the noncompliance relating to Managerial Cost Accounting.

Finding 3 Lack of Substantial Compliance With FFMIA Requirements

FFMIA requires agencies to annually assess whether their financial management systems comply substantially with (1) Federal Financial Management System Requirements (FFMSR), (2) applicable Federal accounting standards, and (3) the U.S. Government Standard General Ledger (SGL) at the transaction level. In addition, FISMA requires each agency to report significant information security deficiencies, relating to financial management systems, as a lack of substantial compliance under FFMIA. FFMIA also requires auditors to report in their CFO Act financial statement audit reports whether the financial management systems substantially comply with FFMIA's system requirements.

During fiscal year 2008, USDA evaluated its financial management systems to assess compliance with FFMIA. The Department reported that it was not substantially compliant with FFMSR, applicable accounting standards, SGL at the transaction level, and FISMA requirements. Details follow.

- As part of its financial systems strategy, USDA indicated that its agencies are working to meet FFMIA and FISMA objectives, and that the Department had made substantial progress in addressing its IT

[9]This includes SFFAS No. 4, *Managerial Cost Accounting Standards*, issued July 31, 1995.

weaknesses. However, the Department noted that additional effort is needed to achieve substantial compliance. These noncompliances are discussed in detail in Section 1, "Internal Control Over Financial Reporting – Material Weaknesses," of this report.

- The Department also reported noncompliance for funds control management at three component agencies: NRCS, FS, and CCC. For all three agencies, noncompliance with FFMSR was noted. For FS and NRCS, noncompliance with the SGL at the transaction level was also reported. Additionally, noncompliance with applicable accounting standards was noted for NRCS.

As noted in its management's discussion and analysis, the Department plans to continue its effort to achieve compliance with the FFMIA requirements. Improving Federal financial management systems is critical to increasing the accountability of financial program managers, providing better information for decision-making, and increasing the efficiency and effectiveness of services provided by the Federal Government.

Finding 4 Anti-Deficiency Act Violations

In our fiscal year 2007 audit report,[10] we discussed two ADA violations. At that time, the Department had reported one of the violations to the President, Congress, and OMB. Since that time, the Department formally reported the other ADA violation to the President, Congress, and OMB. Details follow:

- On September 30, 2008, USDA reported an ADA violation of about $18 million. This occurred when the Forest Service (FS) exceeded a $100 million apportionment limit for the acquisition of aviation resources. OMB had noted the limitation in a footnote when it apportioned funds on September 30, 2005. In May 2007, the Office of General Counsel (OGC) issued an opinion concluding that exceeding the apportionment footnote was an ADA violation. In February 2008, the U.S. Government Accountability Office (GAO) issued a decision (at the request of FS) which also found that the agency violated the ADA by exceeding the apportionment limit. FS determined not to impose any administrative discipline for this violation. With regard to improving performance on the apportionment footnotes, FS has instituted a more rigorous apportionment monitoring process.

- On November 1, 2007, USDA reported that an ADA violation in the amount of about $8 million occurred in fiscal year 2003 in connection

[10] Audit No. 50401-62-FM, *U.S. Department of Agriculture Consolidated Financial Statements for Fiscal Years 2007 and 2006*, issued November 15, 2007.

with CCC managers authorizing the donation of 24.7 million pounds of non-fat dry milk to a private feed mill. At the agency's request, OIG performed the audit which identified the violation. The three individuals named in the violation no longer work for the agency. USDA concluded that there was no willful or knowing violation of the ADA, so no administrative discipline was imposed. The agency implemented corrective actions to ensure proper disposition of CCC commodities in the future and implemented apportionment requirements for commodity transportation and handling costs.

Finding 5 — Transactions Were Not Always Obligated In Accordance With Appropriations Law

FS and NRCS did not obligate all transactions in accordance with Appropriations Law. NRCS did not obligate contracts, purchase orders, travel expense, and various other transactions prior to payment. FS' current travel system does not allow it to obligate funds for temporary travel duty.

GAO Publication GAO/OGC-92-13, *Appropriations Law*, defines an obligation in very general terms as, "an action that creates a liability or definite commitment on the part of the Government to make a disbursement at some later time. The obligation takes place when the definite commitment is made, even though the actual payment may not take place until the following fiscal year." Furthermore, GAO's Appropriations Law cites nine criteria for recording obligations. When one criterion is met, the agency not only may, but also must record that transaction as an obligation. Criterion 7 addresses travel expenses. With regard to the timing, Appropriations Law states that, "the obligation is not incurred until the travel is actually performed or until the ticket is purchased." While the precise amount of the liability should be recorded, the precise amount is not always known immediately. When this takes place, "the obligation should be recorded on the basis of the agency's best estimate."

Recommendations were included in the component agencies' financial statement audit reports. Therefore, we are making no additional recommendations in this report.

Exhibit A – Audit Reports Related to the Fiscal Year 2008 Financial Statements

AUDIT NUMBER	AUDIT TITLE	RELEASE DATE
05401-17-FM	Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2008 and 2007	November 2008
06401-23-FM	Commodity Credit Corporation's Financial Statements for Fiscal Years 2008 and 2007	November 2008
08401-9-FM	Forest Service's Financial Statements for Fiscal Years 2008 and 2007	November 2008
10401-2-FM	Natural Resources and Conservation Service's Financial Statements for 2008	November 2008
11401-28-FM	Statement on Auditing Standards No. 70, Report on the National Finance Center General Controls Review – Fiscal Year 2008	September 2008
27401-33-HY	Food and Nutrition Service Financial Statements for Fiscal Years 2008 and 2007	November 2008
50501-13-FM	Fiscal Year 2008 Federal Information Security Management Act Report	September 2008
85401-15-FM	Rural Development's Financial Statements for Fiscal Years 2008 and 2007	November 2008
88501-12-FM	Statement on Auditing Standards No. 70, Report on the National Information Technology Center General Controls Review – Fiscal Year 2008	September 2008

Exhibit B – Summary of Prior Year Recommendations

PRIOR YEAR OF RECOMMENDATION[11]

NUMBER	RECOMMENDATION	DEPARTMENTAL STATUS	OIG RESULTS
1	Implement an effective quality control review process throughout the Department for credit reform processes that, at a minimum, includes independent quality assurance reviews of model changes, data extracts, and reestimates.	During fiscal year 2008, the Department established an Improved Credit Reform Management Council. The Department also reviewed the standard operating procedures for model changes, data extracts, and reestimates at the three lending agencies. The procedures at two agencies did not address data extracts and reestimates. The two agencies are in the process of developing adequate procedures for those processes. Additionally, the Department is monitoring the corrective action plans of the lending agencies. The Department plans for its corrective actions to be completed by December 31, 2008.	This Material Weakness continues to exist. As discussed in Finding 1, CCC needs further improvement.
2	Ensure that agencies verify the exempt status of Treasury symbols prior to recording activity and maintain appropriate supporting documentation of the exemption.	The Department began providing agencies with quarterly reports of changes to exempt Treasury symbols. Agencies are in the process of obtaining supporting documentation for exemptions from OMB. The Department estimates that corrective actions will be completed by December 31, 2008.	Our audit disclosed agencies maintained appropriate supporting documentation.

[11]Recommendation was made in Audit Report No. 50401-62-FM, *U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2007 and 2006*, issued November 15, 2007.

Exhibit B – Summary of Prior Year Recommendations

PRIOR YEAR OF RECOMMENDATION[12]

NUMBER	RECOMMENDATION	DEPARTMENTAL STATUS	OIG RESULTS
1	Ensure that agencies comply with FFIS Bulletin 02-12 by providing a standard and effective method of monitoring and reviewing overrides and taking remedial action to address inappropriate overrides or develop other compensating controls.	On February 22, 2008, the Department issued revised Bulletin 08-02, "Procedures for Reviewing the Override Logging Table in the Foundation Financial Information System". Additionally, agencies reviewed and certified overrides using a new retrieval and report tool during fiscal year 2008.	Our audit disclosed significant improvement in the monitoring and reviewing of overrides. We understand that the retrieval and report tool will continue to be enhanced, as appropriate.

[12]Recommendation was made in Audit Report No. 50401-59-FM, *U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2006 and 2005*, issued November 14, 2006.

Exhibit C – Agency Response

USDA

United States Department of Agriculture

Office of the Chief Financial Officer

1400 Independence Avenue, SW

Washington, DC 20250

NOV 1 3 2008

TO: Phyllis K. Fong
Inspector General
Office of Inspector General

FROM: Charles R. Christopherson, Jr.
Chief Financial Officer
Chief Information Officer

SUBJECT: Management's Response – Audit Report on the Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2008 and 2007

The Department is pleased to respond to your audit report on the Consolidated Financial Statements for fiscal years 2008 and 2007.

We concur with the two material weaknesses and findings related to compliance with laws and regulations contained in your report. The Department plans to submit a detailed Action Plan no later than December 31, 2008, to address the findings and recommendations contained in your report.

We generally agree with the recommendations in the report and will develop corrective action milestones accordingly.

The achievement of an unqualified audit opinion was accomplished through the joint efforts of your staff, contract auditors and the financial staffs of the Department and agencies.

I would like to express my appreciation for the cooperation and professionalism displayed by your staff and your contractors during the course of the audit.

AN EQUAL OPPORTUNITY EMPLOYER

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Exhibit D *– Performance and Accountability Report*

USDA Performance and Accountability Report for Fiscal Year 2008

(Prepared by USDA)

SECTIONS 1, 2, AND 4 ARE UNAUDITED.

Consolidated Balance Sheet

As of September 30, 2008 and 2007
(In Millions)

	2008	2007
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 64,595	$ 47,340
Investments (Note 5)	109	94
Accounts Receivable, Net (Note 6)	249	364
Other (Note 11)	5	-
Total Intragovernmental	64,958	47,798
Cash and Other Monetary Assets (Note 4)	348	218
Investments (Note 5)	3	3
Accounts Receivable, Net (Note 6)	10,049	8,854
Direct Loan and Loan Guarantees, Net (Note 7)	81,774	80,348
Inventory and Related Property, Net (Note 8)	15	185
General Property, Plant, and Equipment, Net (Note 9)	2,973	4,931
Other (Note 11)	253	151
Total Assets	160,373	142,488
Stewardship PP&E (Note 10)		
Liabilities (Note 12):		
Intragovernmental:		
Accounts Payable	7	12
Debt (Note 13)	77,577	75,101
Other (Note 15)	13,678	13,753
Total Intragovernmental	91,262	88,866
Accounts Payable	848	806
Loan Guarantee Liability (Note 7)	1,333	1,258
Federal Employee and Veteran Benefits	832	775
Environmental and Disposal Liabilities (Note 14)	25	105
Benefits Due and Payable	2,764	2,854
Other (Notes 15 & 16)	23,908	20,117
Total Liabilities	120,972	114,781
Commitments and Contingencies (Note 17)		
Net Position:		
Unexpended Appropriations - Earmarked Funds (Note 18)	1,428	1,113
Unexpended Appropriations - Other Funds	29,355	29,824
Cumulative Results of Operations - Earmarked Funds (Note 18)	(490)	803
Cumulative Results of Operations - Other Funds	9,108	(4,033)
Total Net Position	39,401	27,707
Total Liabilities and Net Position	$ 160,373	$ 142,488

The accompanying notes are an integral part of these statements.

Consolidated Statement of Net Cost
For the Years Ended September 30, 2008 and 2007
(In Millions)

	2008	2007
Enhance International Competitiveness of American Agriculture:		
Gross Cost	$ 2,484	$ 2,099
Less: Earned Revenue	455	615
Net Cost	2,029	1,484
Enhance the Competitiveness and Sustainability of Rural and Farm Economies:		
Gross Cost	20,995	21,424
Less: Earned Revenue	3,836	6,325
Net Cost	17,159	15,099
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:		
Gross Cost	8,426	6,952
Less: Earned Revenue	4,547	4,750
Net Cost	3,879	2,202
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:		
Gross Cost	3,374	3,271
Less: Earned Revenue	935	762
Net Cost	2,439	2,509
Improve the Nation's Nutrition and Health:		
Gross Cost	60,181	53,991
Less: Earned Revenue	49	43
Net Cost	60,132	53,948
Protect and Enhance the Nation's Natural Resource Base and Environment:		
Gross Cost	12,105	11,824
Less: Earned Revenue	1,010	745
Net Cost	11,095	11,079
Total Gross Costs	107,565	99,561
Less: Total Earned Revenues	10,832	13,240
Net Cost of Operations (Note 19)	$ 96,733	$ 86,321

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position
For The Year Ended September 30, 2008
(In Millions)

	Earmarked Funds (Note 18)	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	$ 803	$ (4,033)	$ -	$ (3,230)
Changes in Accounting Principles (Note 30)	(14)	11,550	-	11,536
Beginning Balance, as Adjusted	789	7,517	-	8,306
Budgetary Financing Sources:				
Appropriations Used	3,517	86,379	-	89,896
Non-exchange Revenue	-	19	-	19
Donations and Forfeitures of Cash and Equivalents	1	23	-	24
Transfers In (Out) without Reimbursement	1,247	5,291	-	6,538
Other Financing Sources (Non-Exchange):				
Transfers In (Out) without Reimbursement	(32)	(359)	-	(391)
Imputed Financing	46	3,429	(2,568)	907
Other	84	(32)	-	52
Total Financing Sources	4,863	94,750	(2,568)	97,045
Net Cost of Operations	(6,142)	(93,159)	2,568	(96,733)
Net Change	(1,279)	1,591	-	312
Cumulative Results of Operations	(490)	9,108	-	8,618
Unexpended Appropriations:				
Beginning Balances	1,113	29,824	-	30,937
Changes in Accounting Principles (Note 30)	-	-	-	-
Beginning Balance, as Adjusted	1,113	29,824	-	30,937
Budgetary Financing Sources:				
Appropriations Received	4,157	86,854	-	91,011
Appropriations Transferred In (Out)	(3)	10	-	7
Other Adjustments	(322)	(954)	-	(1,276)
Appropriations Used	(3,517)	(86,379)	-	(89,896)
Total Budgetary Financing Sources	315	(469)	-	(154)
Unexpended Appropriations	1,428	29,355	-	30,783
Net Position	$ 938	$ 38,463	$ -	$ 39,401

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position
For The Year Ended September 30, 2007
(In Millions)

	Earmarked Funds (Note 18)	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	$ 518	$ (16,627)	$ -	$ (16,109)
Changes in Accounting Principles (Note 30)	(59)	1,020	-	961
Beginning Balance, as Adjusted	459	(15,607)	-	(15,148)
Budgetary Financing Sources:				
Appropriations Used	4,116	89,175	-	93,291
Non-exchange Revenue	-	12	-	12
Donations and Forfeitures of Cash and Equivalents	1	-	-	1
Transfers In (Out) without Reimbursement	882	3,504	-	4,386
Other Financing Sources (Non-Exchange):				
Transfers In (Out) without Reimbursement	-	(460)	-	(460)
Imputed Financing	52	3,480	(2,527)	1,005
Other	4	-	-	4
Total Financing Sources	5,055	95,711	(2,527)	98,239
Net Cost of Operations	(4,711)	(84,137)	2,527	(86,321)
Net Change	344	11,574	-	11,918
Cumulative Results of Operations	803	(4,033)	-	(3,230)
Unexpended Appropriations:				
Beginning Balances	976	25,409	-	26,385
Changes in Accounting Principles (Note 30)	-	(209)	-	(209)
Beginning Balance, as Adjusted	976	25,200	-	26,176
Budgetary Financing Sources:				
Appropriations Received	4,392	94,999	-	99,391
Appropriations Transferred In (Out)	(5)	15	-	10
Other Adjustments	(134)	(1,215)	-	(1,349)
Appropriations Used	(4,116)	(89,175)	-	(93,291)
Total Budgetary Financing Sources	137	4,624	-	4,761
Unexpended Appropriations	1,113	29,824	-	30,937
Net Position	$ 1,916	$ 25,791	$ -	$ 27,707

The accompanying notes are an integral part of these statements.

Combined Statement of Budgetary Resources
For The Years Ended September 30, 2008 And 2007
(In Millions)

	2008		2007	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated balance, brought forward, October 1	$ 27,756	$ 5,208	$ 21,282	$ 3,715
Recoveries of prior year unpaid obligations	4,103	1,226	3,175	1,445
Budget Authority -				
Appropriation	102,655	-	108,428	-
Borrowing Authority	30,267	14,911	41,185	12,478
Earned -				
Collected	23,370	8,855	26,158	8,513
Change in receivables from Federal Sources	(45)	(177)	(1,069)	4
Change in unfilled customer orders -				
Advances received	(6)	-	(170)	-
Without advance from Federal Sources	12	241	96	8
Expenditure transfers from trust funds	963	-	934	-
Nonexpenditure transfers, net, anticipated and actual	(743)	-	(336)	-
Temporarily not available pursuant to Public Law	(11)	-	(36)	-
Permanently not available	(38,925)	(6,911)	(57,635)	(6,257)
Total Budgetary Resources	149,396	23,353	142,012	19,906
Status of Budgetary Resources:				
Obligations Incurred -				
Direct	95,085	18,039	83,743	14,698
Reimbursable	26,233	-	30,513	-
Unobligated Balance -				
Apportioned	7,925	2,784	8,794	1,917
Exempt from Apportionment	1,100	5	1,351	5
Unobligated balance not available	19,053	2,525	17,611	3,286
Total Status of Budgetary Resources	149,396	23,353	142,012	19,906
Change in Obligated Balances:				
Obligated balance, net, brought forward October 1	25,472	18,107	26,537	18,900
Obligations incurred	121,318	18,039	114,256	14,698
Gross outlays	(117,444)	(14,162)	(113,118)	(14,034)
Recoveries of prior year unpaid	(4,103)	(1,226)	(3,175)	(1,445)
Change in uncollected payments from Federal Sources	33	(64)	973	(12)
Obligated balance, net, end of period -				
Unpaid obligations	26,616	21,590	26,844	18,940
Uncollected customer payments from Federal Sources	(1,339)	(896)	(1,372)	(833)
Obligated Balance, net, end of period	25,277	20,694	25,472	18,107
Net Outlays:				
Gross outlays	117,444	14,162	113,118	14,034
Offsetting collections	(24,327)	(8,855)	(26,921)	(8,514)
Distributed offsetting receipts	(1,889)	(353)	(1,303)	(464)
Net Outlays	$ 91,228	$ 4,954	$ 84,894	$ 5,056

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements
As of September 30, 2008 and 2007
(In Millions)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The Department of Agriculture (USDA) provides a wide variety of services in the United States and around the world. USDA is organized into seven distinct mission areas and their agencies that execute these missions.

Listed below are the missions and the agencies within each mission including four Government corporations:

Farm and Foreign Agricultural Services (FFAS)

- Farm Service Agency (FSA)
    - Commodity Credit Corporation (CCC)
- Foreign Agricultural Service (FAS)
- Risk Management Agency (RMA)
    - Federal Crop Insurance Corporation (FCIC)

Food, Nutrition, and Consumer Services (FNCS)

- Food and Nutrition Service (FNS)

Food Safety

- Food Safety and Inspection Service (FSIS)

Marketing and Regulatory Programs (MRP)

- Agricultural Marketing Service (AMS)
- Animal and Plant Health Inspection Service (APHIS)
- Grain Inspection, Packers and Stockyards Administration (GIPSA)

Natural Resources and Environment (NRE)

- Forest Service (FS)
- Natural Resources Conservation Service (NRCS)

Research, Education, and Economics (REE)

- Agricultural Research Service (ARS)
- Cooperative State Research, Education, and Extension Service (CSREES)
- Economic Research Service (ERS)
- National Agricultural Statistics Service (NASS)

Rural Development

- Rural Development (RD)
    - Rural Telephone Bank (RTB) – a corporation
    - Alternative Agricultural Research and Commercialization Corporation (AARC)

With the passage of the 2006 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriation Act, Public Law No. 109-97, the legal restriction on redeeming Government-owned Class A stock was removed for RTB. As a result of this change, the process of liquidation and dissolution of the RTB began. During FY 2008, RTB was dissolved in its entirety and will no longer be a reportable entity.

Consolidation

The financial statements consolidate all the agencies' results. The effects of intradepartmental activity and balances are eliminated, except for the Statement of Budgetary Resources that is presented on a combined basis. The financial statements are prepared in accordance with generally accepted accounting principles for the Federal Government.

Effective for FY 2007, the Statement of Financing will be presented as a note per Office of Management and Budget's (OMB) authority under Statement of Federal Financial Accounting Standards (SFFAS) 7 and will no longer be considered a Basic Statement. The Statement of Financing will now be a display in the notes and referred to as "Reconciliation of Budgetary Resources Obligated to Net Cost of Operations."

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. In FY 2008, liabilities for entitlements and grants were reclassified from Accounts Payable to Benefits Due and Payable and Other Liabilities, respectively to conform to OMB and Treasury guidance.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue and Other Financing Sources

Revenue from exchange transactions is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, sales price is fixed or determinable, and collection is reasonably assured. In certain cases, the prices charged by the Department are set by law or regulation, which for program and other reasons may not represent full cost. Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities. Revenue from non-exchange transactions is recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable and the amount is reasonably estimable. Appropriations are recognized as a financing source when used. An imputed financing source is recognized for costs subsidized by other Government entities.

Investments

The Department is authorized to invest certain funds in excess of its immediate needs in Treasury securities. Investments in non-marketable par value Treasury securities are classified as held to maturity and are carried at cost. Investments in market-based Treasury securities are classified as held to maturity and are carried at amortized cost. The amortized cost of securities is based on the purchase price adjusted for amortization of premiums and accretion of discounts using the straight-line method over the term of the securities.

Accounts Receivable

Accounts receivable are reduced to net realizable value by an allowance for uncollectible accounts. The adequacy of the allowance is determined based on past experience and age of outstanding balances.

Direct Loans and Loan Guarantees

Direct loans obligated and loan guarantees committed after fiscal 1991 are reported based on the present value of the net cash-flows estimated over the life of the loan or guarantee. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance; the present value of estimated net cash outflows of the loan guarantees is recognized as a liability for loan guarantees. The subsidy expense for direct or guaranteed loans disbursed during the year is the present value of estimated net cash outflows for those loans or guarantees. A subsidy expense also is recognized for modifications made during the year to loans and guarantees outstanding and for reestimates made as of the end of the year to the subsidy allowances or loan guarantee liability for loans and guarantees outstanding.

Direct loans obligated and loan guarantees committed before fiscal 1992 are valued using the present-value method. Under the present-value method, the outstanding principal of direct loans is reduced by an allowance equal to the difference between the outstanding principal and the present value of the expected net cash flows. The liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees.

Inventories and Related Property

Inventories to be consumed in the production of goods for sale or in the provision of services for a fee are valued on the basis of historical cost using a first-in, first-out method. Commodities are valued at the lower of cost or net realizable value using a weighted average method.

Property, Plant and Equipment

Property, plant and equipment (PP&E) are stated at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. Useful lives for PP&E are disclosed in Note 9. Capitalization thresholds for personal property and real property are $25,000 and $100,000 for internal use software. There are no restrictions on the use or convertibility of PP&E.

Pension and Other Retirement Benefits

Pension and other retirement benefits (primarily retirement health care benefits) expense is recognized at the time the employees' services are rendered. The expense is equal to the actuarial present value of benefits attributed by the pension plan's benefit formula, less the amount contributed by the employees. An imputed cost is recognized for the difference between the expense and contributions made by and for employees.

Other Post-employment Benefits

Other post-employment benefits expense for former or inactive (but not retired) employees is recognized when a future outflow or other sacrifice of resources is probable and measurable on the basis of events occurring on or before the reporting date. The liability for long-term other post-employment benefits is the present value of future payments.

Earmarked Funds

In accordance with SFFAS 27, Identifying and Reporting Earmarked Funds, which became effective in FY 2006, the Department has reported the earmarked funds for which it has program management responsibility when the following three criteria are met: (1) a statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits or purposes; (2) explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits or purposes; and (3) a requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

Stewardship PP&E

SFFAS 29, Heritage Assets and Stewardship Land, was issued in July 2005. SFFAS 29 reclassified all heritage assets and stewardship land information as basic except for condition information, which is classified as RSI. The reclassification as basic is being phased in per SFFAS 29. Heritage assets and stewardship land information that was previously reported in RSSI will temporarily shift to RSI until it moves to a note on the balance sheet as basic information. The phase-in of disclosure requirements being reported as basic information provides that SFFAS 29 will be fully implemented for reporting periods beginning after September 30, 2008.

Contingencies

Contingent liabilities are recognized when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable.

Allocation Transfers

The Department is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

The Department allocates funds, as the parent, to the Department of Transportation, Department of the Interior, Department of Defense, Department of Housing and Urban Development, U.S. Agency for International Development and the Small Business Administration. The Department receives allocation transfers, as the child, from the Department of Labor, Department of Transportation, Department of the Interior, Economic Development Administration, Appalachian Regional Commission and the Delta Regional Authority.

Limitations of the Financial Statements

The financial statements report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b).

While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by the OMB, they also are used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. Thus, liabilities cannot be liquidated without enabling legislation that provides resources to do so.

Note 2. Non-Entity Assets

Non-entity assets include proceeds from the sale of timber payable to Treasury, timber contract performance bonds, employer contributions and payroll taxes withheld for agencies serviced by the National Finance Center, property taxes and insurance for single family housing, interest, fines and penalties.

	FY 2008	FY 2007
Intragovernmental:		
Fund balance with Treasury	$ 62	$ 106
Accounts Receivable	23	-
Subtotal Intragovernmental	85	106
With the Public:		
Cash and other monetary assets	125	109
Accounts receivable	127	47
Subtotal With the Public	252	156
Total non-entity assets	337	262
Total entity assets	160,036	142,226
Total Assets	$ 160,373	$ 142,488

Note 3. Fund Balance with Treasury

Other Fund Types include deposit and clearing accounts. Borrowing Authority not yet Converted to Fund Balance represents un-obligated and obligated amounts recorded at year-end that will be funded by future borrowings. Non-Budgetary Fund Balance with Treasury includes special fund receipt accounts; and clearing and suspense account balances awaiting disposition or reclassification.

	FY 2008	FY 2007
Fund Balances:		
Trust Funds	$ 633	$ 449
Special Funds	17,239	1,498
Revolving Funds	8,338	6,395
General Funds	38,326	38,977
Other Fund Types	59	21
Total	64,595	47,340
Status of Fund Balance with Treasury:		
Unobligated Balance:		
Available	11,814	12,067
Unavailable	21,577	20,897
Obligated Balance not yet Disbursed	45,841	43,471
Borrowing Authority not yet Converted to Fund Balance	(29,681)	(29,162)
Non-Budgetary Fund Balance with Treasury	15,044	67
Total	$ 64,595	$ 47,340

Note 4. Cash and Other Monetary Assets

In fiscal 2008 and 2007, cash includes Federal crop insurance escrow amounts of $130 million and $79 million, funds held in escrow for single family housing borrowers of $125 million and $109 million and certificates of deposit of $1 million and $29 million, respectively. In fiscal 2008, $92 million of price support transfers were in transit.

	FY 2008	FY 2007
Cash	$ 348	$ 218

Note 5. Investments

FY 2008	Amortization Method	Cost	Unamortized Premium/ (Discount)	Interest Receivable	Investments, Net	Market Value Disclosure
Intragovernmental:						
Non-marketable						
Par value		$ -	$ -	$ -	$ -	$ -
Market-based	Straight Line	107	1	1	109	109
Total		$ 107	$ 1	$ 1	$ 109	$ 109
With the Public:						
AARC		$ 3	$ -	$ -	$ 3	$ 3
Total		$ 3	$ -	$ -	$ 3	$ 3

FY 2007	Amortization Method	Cost	Unamortized Premium/ (Discount)	Interest Receivable	Investments, Net	Market Value Disclosure
Intragovernmental:						
Non-marketable						
Par value		$ 88	$ -	$ -	$ 88	$ -
Market-based	Straight Line	6	-	-	6	6
Total		$ 94	$ -	$ -	$ 94	$ 6
With the Public:						
AARC		$ 3	$ -	$ -	$ 3	$ 3
Total		$ 3	$ -	$ -	$ 3	$ 3

Note 6. Accounts Receivable, Net

FY 2008

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 249	$ -	$ 249
With the Public	10,079	(30)	10,049
Total	$ 10,328	$ (30)	$ 10,298

FY 2007

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 364	$ -	$ 364
With the Public	8,899	(45)	8,854
Total	$ 9,263	$ (45)	$ 9,218

Note 7. Direct Loans and Guarantees, Non-Federal Borrowers

Direct Loans

Direct loan obligations or loan guarantee commitments made pre-1992 and the resulting direct loans or loan guarantees are reported at net present value.

Direct loan obligations or loan guarantee commitments made post-1991, and the Federal Credit Reform Act of 1990 as amended governs the resulting direct loan or loan guarantees. The Act requires agencies to estimate the cost of direct loans and loan guarantees at present value for the budget. Additionally, the present value of the subsidy costs (i.e. interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets and other cash flows) associated with direct loans and loan guarantees are recognized as a cost in the year the loan or loan guarantee is disbursed. The net present value of loans or defaulted guaranteed loans receivable at any point in time is the amount of the gross loan or defaulted guaranteed loans receivable less the present value of the subsidy at that time.

The net present value of Direct Loan and Loan Guarantees, Net is not necessarily representative of the proceeds that might be expected if these loans were sold on the open market.

Direct Loan and Loan Guarantees, Net at the end of FY 2008 was $81,774 million compared to $80,348 million at the end of FY 2007. Loans exempt from the Federal Credit Reform Act of 1990 represent $643 million of the total compared to $779 million in FY 2007. Table 1 illustrates the overall composition of the Department's credit program balance sheet portfolio by mission area and credit program for FY 2008 and 2007.

During the fiscal year, the gross outstanding balance of the direct loans obligated post-1991 is adjusted by the value of the subsidy cost allowance held against those loans. Current year subsidy expense, modifications and reestimates all contribute to the change of the subsidy cost allowance throughout the year. The subsidy cost allowance moved from $4,334 million to $4,475 million during FY 2008, an increase of $141 million. Table 2 shows the reconciliation of subsidy cost allowance balances from FY 2007 to FY 2008.

Total direct loan subsidy expense is a combination of subsidy expense for new direct loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. Total direct loan subsidy expense in FY 2008 was $461 million compared to negative $32 million in FY 2007. Table 3 illustrates the breakdown of total subsidy expense for FY 2008 and 2007 by program.

Direct loan volume increased from $8,274 million in FY 2007 to $8,758 million in FY 2008. Volume distribution between mission area and program is shown in Table 4.

Guaranteed Loans

Guaranteed loans are administered in coordination with conventional agricultural lenders for up to 95 percent of the principal loan amount. Under the guaranteed loan programs, the lender is responsible for servicing the borrower's account for the life of the loan. The Department, however, is responsible for ensuring borrowers meet certain qualifying criteria to be eligible and monitoring the lender's servicing activities. Borrowers interested in guaranteed loans must apply to a conventional lender, which then arranges for the guarantee with a Department agency. Estimated losses on loan and foreign credit guarantees are reported at net present value as Loan Guarantee Liability. Defaulted guaranteed loans are reported at net present value as Loans Receivable and Related Foreclosed Property, Net.

Guaranteed loans outstanding at the end of FY 2008 were $40,787 million in outstanding principal and $36,492 million in outstanding principal guaranteed, compared to $34,482 and $30,648 million, respectively at the end of FY 2007. Table 5 shows the outstanding balances by credit program.

During the fiscal year, the value of the guaranteed loans is adjusted by the value of the loan guarantee liability held against those loans. Current year subsidy expense, modification and reestimates all contribute to the change of the loan guarantee liability through the year. The loan guarantee liability is a combination of the liability for losses on pre-1992 guarantees and post-1991 guarantees. Table 6 shows that total liability moved from $1,258 million to $1,333 million during FY 2008, an increase of $75 million. The post-1991 liability moved from $1,256 million to $1,332 million, an increase of $76 million. Table 7 shows the reconciliation of total loan guarantee liability.

Total guaranteed loan subsidy expense is a combination of subsidy expense for new guaranteed loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. Total guaranteed loan subsidy expense in FY 2008 was $82 million compared to negative $192 million in FY 2007. Table 8 illustrates the breakdown of total subsidy expense for FY 2008 and 2007 by program.

Guaranteed loan volume increased from $7,434 million in FY 2007 to $11,374 million in FY 2008. Volume distribution between mission area and program is shown in Table 9.

Credit Program Discussion and Descriptions

The Department offers direct and guaranteed loans through credit programs in the FFAS mission area through the FSA and the CCC, and in the RD mission area.

The Farm and Foreign Agricultural Services Mission Area

The FFAS mission area helps keep America's farmers and ranchers in business as they face the uncertainties of weather and markets. FFAS delivers commodity, credit, conservation, disaster and emergency assistance programs that help strengthen and stabilize the agricultural economy. FFAS contributes to the vitality of the farm sector with programs that encourage the expansion of export markets for U.S. agriculture.

FSA offers direct and guaranteed loans to farmers who are temporarily unable to obtain private, commercial credit and nonprofit entities that are engaged in the improvement of the nation's agricultural community. Often, FSA borrowers are beginning farmers who cannot qualify for conventional loans due to insufficient financial resources. Additionally, the agency helps established farmers who have suffered financial setbacks from natural disasters, or have limited resources to maintain profitable farming operations. FSA officials also provide borrowers with supervision and credit counseling.

FSA's mission is to provide supervised credit. FSA works with each borrower to identify specific strengths and weaknesses in farm production and management, and provides alternatives to address weaknesses. FSA is able to provide certain loan servicing options to assist borrowers whose accounts are distressed or delinquent. These options include reamortization, restructuring, loan deferral, lowering interest rate, acceptance of easements, and debt write-downs. The eventual goal of FSA's farm credit programs is to graduate its borrowers to commercial credit.

CCC's foreign programs provide economic stimulus to both the U.S. and foreign markets, while also giving humanitarian assistance to the most-needy people throughout the world. CCC offers both credit guarantee and direct credit programs for buyers of U.S. exports, suppliers, and sovereign countries in need of food assistance.

CCC permits debtor nations to reschedule debt under the aegis of the Paris Club (The Club). The Club is an internationally recognized organization under the leadership of the French Ministry of Economics and Finance. Its sole purpose is to assess, on a case-by-case basis, liquidity problems faced by economically disadvantaged countries. The general premise of the Club's activities is to provide disadvantaged nations short-term liquidity relief to enable them to re-establish their credit worthiness. The Departments of State and Treasury lead the U.S. Delegation and negotiations for all U.S. Agencies.

Farm and Foreign Agricultural Service List of Programs

Farm Service Agency	Commodity Credit Corporation
Direct Farm Ownership	General Sales Manager Guarantee Credit Program
Direct Farm Operating	Facility Program Guarantee
Direct Emergency Loans	P.L. 480 Title 1 Program
Direct Indian Land Acquisition	Direct Farm Storage Facility
Direct Boll Weevil Eradication	Direct Sugar Storage Facilities
Direct Seed Loans to Producers	
Guaranteed Farm Operating Subsidized/Unsubsidized	
Agricultural Resource Demonstration Fund	
Bureau of Reclamation Loan Fund	
Guaranteed Farm Ownership Unsubsidized	

The Rural Development Mission Area

Each year, RD programs create or preserve tens of thousands of rural jobs and provide or improve the quality of rural housing. To leverage the impact of its programs, RD is working with State, local and Indian tribal Governments, as well as private and not-for-profit organizations and user-owned cooperatives.

Through its rural housing loan and grant programs, RD provides affordable housing and essential community facilities to rural communities. Rural housing programs help finance new or improved housing for moderate, low, and very low-income families each year. The programs also help rural communities finance, construct, enlarge or improve fire stations, libraries, hospitals and medical clinics, industrial parks, and other community facilities.

The Rural Business Program goal is to promote a dynamic business environment in rural America. RD partners with the private sector and community-based organizations to provide financial assistance and business planning. It also provides technical assistance to rural businesses and cooperatives, conducts research into rural economic issues, and provides cooperative educational materials to the public.

The Rural Utilities Program helps to improve the quality of life in rural America through a variety of loan programs for electric energy, telecommunications, and water and environmental projects. This program leverages scarce Federal funds with private capital for investing in rural infrastructure, technology and development of human resources.

RD programs provide certain loan servicing options to borrowers whose accounts are distressed or delinquent. These options include reamortization, restructuring, loan deferral, lowering interest rate, acceptance of easements and debt write-downs. The choice of servicing options depends on the loan program and the individual borrower.

Rural Development List of Programs

Rural Housing Program	Rural Business Program	Rural Utilities Program
Home Ownership Direct Loans Home Ownership Guaranteed Loans Home Improvement and Repair Direct Loans Home Ownership and Home Improvement and Repair Nonprogram Loans Rural Housing Site Direct Loans Farm Labor Housing Direct Loans Rural Rental and Rural Cooperative Housing Loans Rental Housing Guaranteed Loans Multi-family Housing–Nonprogram–Credit Sales Community Facilities Direct Loans Community Facilities Guaranteed Loans	Business and Industry Direct Loans Business and Industry Guaranteed Loans Intermediary Relending Program Direct Loans Rural Economic Development Direct Loans	Water and Environmental Direct Loans Water and Environmental Guaranteed Loans Electric Direct Loans Electric Guaranteed Loans Telecommunications Direct Loans Federal Financing Bank-Telecommunications Guaranteed Distance Learning and Telemedicine Direct Broadband Telecommunications Services

Discussion of Administrative Expenses, Subsidy Costs and Subsidy Rates

Administrative Expenses

Consistent with the Federal Credit Reform Act of 1990 as amended, subsidy cash flows exclude direct Federal administrative expenses. Administrative expenses for FY 2008 and 2007 are shown in Table 10.

Reestimates, Default Analysis, and Subsidy Rates

The Federal Credit Reform Act of 1990 as amended governs the proprietary and budgetary accounting treatment of direct and guaranteed loans. The long-term cost to the Government for direct loans or loan guarantees is referred to as "subsidy cost." Under the act, subsidy costs for loans obligated beginning in FY 1992 are recognized at the net present value of projected lifetime costs in the year the loan is disbursed. Subsidy costs are revalued annually. Components of subsidy include interest subsidies, defaults, fee offsets, and other cash flows.

RD's cash flow models are tailored for specific programs based on unique program characteristics. The models utilized are housing, guaranteed, electric underwriters, FFB modifications and a direct model that covers the remaining portfolio with similar characteristics.

The annual reestimate process updates the budget assumptions with actual portfolio performance, interest rates and updated estimates for future loan performance. The FY 2008 reestimate process resulted in an $82 million increase in the post 1991 estimated cost of the direct loan portfolio and a $156 million reduction in the post 1991 estimated cost of the guaranteed loan portfolio.

Table 3 discloses the direct loan subsidy expense including the $82 million increase due to reestimates. The increase was a result of a $975 million increase in RD's programs less an $893 million decrease in the FFAS programs.

Table 8 discloses the loan guarantee subsidy expenses including the $156 million reduction due to reestimate. The reduction was most affected by a $53 million reduction in the business and industry program, a $49 million reduction in the farm program and a $43 million reduction in the export program.

Based on sensitivity analysis conducted for each cohort or segment of a loan portfolio, the difference between the budgeted and actual interest for both borrower and Treasury remain the key components for the subsidy formulation and reestimate rates of many USDA direct programs. USDA uses the Governmentwide interest rate projections provided by the OMB in order to do its calculations and analysis.

The Inter-agency Country Risk Assessment System is a Federal interagency effort chaired by OMB under the authority of the Federal Credit Reform Act of 1990 as amended. The system provides standardized risk assessment and budget assumptions for all direct credits and credit guarantees provided by the Government, to foreign borrowers. Sovereign and non-sovereign lending risks are sorted into risk categories, each associated with a default estimate.

The CCC delinquent debt is estimated at a 100 percent allowance for losses. When the foreign borrower reschedules their debt and renews their commitment to repay CCC, the allowance is estimated at less than 100 percent.

Subsidy rates are used to compute each year's subsidy expenses as disclosed above. The subsidy rates disclosed in Tables 11 and 12 pertain only to the FY 2008 and 2007 cohorts. These rates cannot be applied to the direct and guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior-year cohorts. The subsidy expense reported in the current year also includes reestimates.

As a result of new guidance, CCC chose to reflect interest on downward reestimates in the Statement of Changes in Net Position as other financing sources for FY 2008 and 2007, respectively. The remainder of USDA credit programs chose to reflect downward reestimates in earned revenue on the Statement of Net Cost. Both methodologies are accepted alternatives that have been promulgated by Treasury.

Foreclosed Property

Property is acquired largely through foreclosure and voluntary conveyance. Acquired properties associated with loans are reported at their market value at the time of acquisition. The projected future cash flows associated with acquired properties are used in determining the related allowance (at present value).

As of September 30, 2008 and 2007, foreclosed property consisted of 800 and 591 rural single-family housing dwellings, with an average holding period of 17 and 23 months, respectively. As of September 30, 2008 and 2007, FSA-Farm Loan Program properties consist primarily of 58 and 61 farms, respectively. The average holding period for these properties in inventory for FY 2008 and 2007 was 64 and 68 months, respectively. Certain properties can be leased to eligible individuals.

Non-performing Loans

Non-performing loans are defined as receivables that are in arrears by 90 or more days, or are on rescheduling agreements until such time two consecutive payments have been made following the rescheduling.

When RD, FSA and CCC calculate loan interest income, however, the recognition of revenue is deferred. Late interest is accrued on arrears.

Loan Modifications

A modification is any Government action different from the baseline assumptions that affects the subsidy cost, such as a change in the terms of the loan contract. The cost of a modification is the difference between the present value of the cash flows before and after the modification.

Multiple-family housing direct loan program modifications related to the revitalization project, which began in FY 2006, continued throughout FY 2008. The revitalization project is used to rehabilitate ailing housing developments. In this program, RD determines whether the development owner should be offered a financial restructuring plan and what type of incentives, if any, should be offered to the owner to rehabilitate an ailing housing development and to provide affordable rents for tenants.

In FY 2007, loan extension modifications were granted for two borrowers in the FFB electric program. The maturity dates were extended up to 20 years on selected advances. Interest rates on the advances did not change.

At the time of the modification, the liquidating fund was paid off and the advances were moved to the financing fund. The post-modification cash flows were discounted at the third quarter net present value discount factor from the FY 2007 President's Budget relative to the effective date of the loan extension modifications.

The Debt Reduction Fund is used to account for CCC's "modified debt." Debt is considered to be modified if the original debt has been reduced or the interest rate of the agreement changed. In contrast, when debt is "rescheduled," only the date of payment is changed. Rescheduled debt is carried in the original fund until paid. All outstanding CCC modified debt is carried in the Debt Reduction Fund and is governed by the Federal Credit Reform Act of 1990 as amended.

Interest Credit

Approximately $17,700 million and $17,800 million of Rural Housing Service (RHS) unpaid loan principal as of September 30, 2008, and 2007 were receiving interest credit, respectively. If those loans receiving interest credit had accrued interest at the full-unreduced rate, interest income would have been approximately $947 million and $1,000 million higher for FY 2008 and 2007, respectively.

Restructured Loans

At the end of FY 2008 and 2007, the RD portfolio contained approximately 73,300 and 76,500 restructured loans with an outstanding unpaid principal balance of $2,400 million and $2,500 million, respectively. At the end of FY 2008 and 2007, the farm loan portfolio contained approximately 20,000 and 22,000 restructured loans with an outstanding unpaid principal balance of $1,100 million and $1,200 million, respectively. Direct credit and credit guarantee principal receivables in the food aid and export programs under rescheduling agreements as of September 30, 2008 and 2007, were $3,100 million and $3,400 million, respectively.

Table 1. Direct Loan and Loan Guarantees, Net

FY 2008 Direct Loans	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Loans
Obligated Pre-1992					
Farm	$ 1,406	$ 96	$ 12	$ (59)	$ 1,455
Export	-	-	-	-	-
Food Aid	4,813	121	-	(1,949)	2,985
Housing	10,462	111	33	(4,880)	5,726
Electric	8,273	5	-	(1,689)	6,589
Telecommunications	896	2	-	(54)	844
Water and Environmental	1,328	14	-	(159)	1,183
Business and Industry	-	-	-	-	-
Economic Development	38	-	-	(17)	21
Pre-1992 Total	27,216	349	45	(8,807)	18,803
Obligated Post-1991					
Farm	5,203	159	3	224	5,589
Export	-	-	-	-	-
Food Aid	1,837	79	-	(1,035)	881
Housing	17,044	98	34	(2,387)	14,789
Electric	29,216	28	-	(336)	28,908
Telecommunications	3,151	2	-	187	3,340
Water and Environmental	8,583	87	-	(829)	7,841
Business and Industry	35	-	-	(25)	10
Economic Development	530	2	-	(175)	357
Post-1991 Total	65,599	455	37	(4,376)	61,715
Total Direct Loan Program Receivables	92,815	804	82	(13,183)	80,518
Defaulted Guarantee Loans					
Pre-1992					
Farm	1	-	-	(1)	-
Export	136	1	-	(90)	47
Food Aid	-	-	-	-	-
Housing	-	-	-	-	-
Electric	-	-	-	-	-
Telecommunications	-	-	-	-	-
Water and Environmental	-	-	-	-	-
Business and Industry	3	-	-	-	3
Economic Development	-	-	-	-	-
Pre-1992 Total	140	1	-	(91)	50
Post-1991					
Farm	58	-	-	(56)	2
Export	615	7	-	(185)	437
Food Aid	-	-	-	-	-
Housing	61	-	-	(33)	28
Electric	-	-	-	-	-
Telecommunications	-	-	-	-	-
Water and Environmental	-	-	-	-	-
Business and Industry	103	3	-	(10)	96
Economic Development	-	-	-	-	-
Post-1991 Total	837	10	-	(284)	563
Total Defaulted Guarantee Loans	977	11	-	(375)	613
Loans Exempt from Credit Reform Act:					
Commodity Loans	630	13	-	-	643
Other Foreign Receivables	-	-	-	-	-
Total Loans Exempt	630	13	-	-	643
Total Direct Loan and Loan Guarantees, Net					$ 81,774

Table 1. Direct Loan and Loan Guarantees, Net (cont'd)

FY 2007 Direct Loans	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Loans
Obligated Pre-1992					
Farm	$ 1,679	$ 115	$ 10	$ (129)	$ 1,675
Export	-	-	-	-	-
Food Aid	5,204	31	-	(2,365)	2,870
Housing	11,014	118	21	(5,040)	6,113
Electric	10,045	88	-	(1,373)	8,760
Telecommunications	1,047	2	-	(24)	1,025
Water and Environmental	1,438	12	-	(182)	1,268
Business and Industry	-	-	-	-	-
Economic Development	44	-	-	(20)	24
Pre-1992 Total	30,471	366	31	(9,133)	21,735
Obligated Post-1991					
Farm	4,877	161	4	(440)	4,602
Export	-	-	-	-	-
Food Aid	2,414	33	-	(1,192)	1,255
Housing	16,023	81	24	(2,090)	14,038
Electric	26,006	170	-	(42)	26,134
Telecommunications	2,936	6	-	328	3,270
Water and Environmental	7,839	70	-	(638)	7,271
Business and Industry	51	-	-	(38)	13
Economic Development	509	2	-	(168)	343
Post-1991 Total	60,655	523	28	(4,280)	56,926
Total Direct Loan Program Receivables	91,126	889	59	(13,413)	78,661
Defaulted Guarantee Loans					
Pre-1992					
Farm	8	-	-	(5)	3
Export	349	5	-	(114)	240
Food Aid	-	-	-	-	-
Housing	-	-	-	-	-
Electric	-	-	-	-	-
Telecommunications	-	-	-	-	-
Water and Environmental	-	-	-	-	-
Business and Industry	3	1	-	-	4
Economic Development	-	-	-	-	-
Pre-1992 Total	360	6	-	(119)	247
Post-1991					
Farm	49	2	-	(32)	19
Export	630	16	-	(114)	532
Food Aid	-	-	-	-	-
Housing	23	-	-	(22)	1
Electric	-	-	-	-	-
Telecommunications	-	-	-	-	-
Water and Environmental	-	-	-	-	-
Business and Industry	118	3	-	(12)	109
Economic Development	-	-	-	-	-
Post-1991 Total	820	21	-	(180)	661
Total Defaulted Guarantee Loans	1,180	27	-	(299)	908
Loans Exempt from Credit Reform Act:					
Commodity Loans	744	15	-	-	759
Other Foreign Receivables	21	-	-	(1)	20
Total Loans Exempt	765	15	-	(1)	779
Total Direct Loan and Loan Guarantees, Net					$ 80,348

Table 2. Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991) Direct Loans

	FY 2008	FY 2007
Beginning balance of the subsidy cost allowance	$ 4,334	$ 5,080
Add: Subsidy expense for direct loans disbursed during the year by component		
Interest rate differential costs	(60)	(56)
Default costs (net of recoveries)	211	142
Fees and other collections	(2)	(3)
Other subsidy costs	226	286
Total subsidy expense prior to adjustments and reestimates	375	369
Adjustments		
Loan modifications	4	(3)
Fees received	36	29
Loans written off	(196)	(274)
Subsidy allowance amortization	(414)	(467)
Other	254	(2)
Total subsidy cost allowance before reestimates	4,393	4,732
Add or subtract subsidy reestimates by component		
Interest rate reestimate	636	12
Technical/default reestimate	(554)	(410)
Total reestimates	82	(398)
Ending balance of the subsidy cost allowance	$ 4,475	$ 4,334

Table 3. Subsidy Expense for Direct Loans by Program and Component

FY 2008

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	$ (18)	$ 130	$ -	$ (9)	$ 103	$ -	$ -	$ (549)	$ (549)	$ (446)
Export	-	-	-	-	-	-	-	-	-	-
Food Aid	9	2	-	-	11	-	(181)	(163)	(344)	(333)
Housing	(123)	66	(1)	245	187	4	184	(52)	132	323
Electric	(32)	11	-	(6)	(27)	-	334	155	489	462
Telecommunications	(1)	1	-	-	-	-	211	(19)	192	192
Water and Environmental	86	1	-	(4)	83	-	94	63	157	240
Business and Industry	-	-	-	-	-	-	-	-	-	-
Economic Development	19	-	-	(1)	18	-	(6)	11	5	23
Total Direct Loan Subsidy Expense	$ (60)	$ 211	$ (1)	$225	$ 375	$ 4	$ 636	$ (554)	$ 82	$ 461

FY 2007

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	$ 23	$ 73	$ -	$ (6)	$ 90	$ -	$ (64)	$ (76)	$ (140)	$ (50)
Export	-	-	-	-	-	-	-	-	-	-
Food Aid	4	1	-	-	5	-	(29)	(12)	(41)	(36)
Housing	(154)	61	(3)	306	210	1	(76)	1	(75)	136
Electric	(26)	5	-	(10)	(31)	(4)	122	(108)	14	(21)
Telecommunications	1	2	-	(1)	2	-	16	(124)	(108)	(106)
Water and Environmental	75	1	-	(4)	72	-	31	(66)	(35)	37
Business and Industry	-	-	-	-	-	-	-	(13)	(13)	(13)
Economic Development	20	-	-	-	20	-	12	(11)	1	21
Total Direct Loan Subsidy Expense	$ (57)	$ 143	$ (3)	$285	$ 368	$ (3)	$ 12	$ (409)	$ (397)	$ (32)

Table 4. Total Amount of Direct Loans Disbursed (Post-1991)

	FY 2008	FY 2007
Direct Loan Programs		
Farm	$ 1,317	$ 1,069
Export	-	-
Food Aid	20	9
Housing	1,750	1,856
Electric	4,047	3,814
Telecommunications	551	503
Water and Environmental	1,017	969
Business and Industry	-	-
Economic Development	56	54
Total Direct Loans Disbursed	$ 8,758	$ 8,274

Table 5. Guaranteed Loans Outstanding

FY 2008	Pre - 1992 Outstanding Principal, Face Value	Post - 1991 Outstanding Principal, Face Value	Total Outstanding Principal, Face Value	Pre - 1992 Outstanding Principal, Guaranteed	Post - 1991 Outstanding Principal, Guaranteed	Total Outstanding Principal, Guaranteed
Loan Guarantee Programs						
Farm	$ 43	$ 10,081	$ 10,124	$ 38	$ 9,061	$ 9,099
Export	-	3,918	3,918	-	3,829	3,829
Food Aid	-	-	-	-	-	-
Housing	5	22,514	22,519	4	20,270	20,274
Electric	174	214	388	174	214	388
Telecommunications	-	-	-	-	-	-
Water and Environmental	-	68	68	-	59	59
Business and Industry	14	3,756	3,770	10	2,833	2,843
Economic Development	-	-	-	-	-	-
Total Guarantees Disbursed	$ 236	$ 40,551	$ 40,787	$ 226	$ 36,266	$ 36,492

FY 2007	Pre - 1992 Outstanding Principal, Face Value	Post - 1991 Outstanding Principal, Face Value	Total Outstanding Principal, Face Value	Pre - 1992 Outstanding Principal, Guaranteed	Post - 1991 Outstanding Principal, Guaranteed	Total Outstanding Principal, Guaranteed
Loan Guarantee Programs						
Farm	$ 66	$ 10,045	$ 10,111	$ 58	$ 9,027	$ 9,085
Export	-	2,371	2,371	-	2,312	2,312
Food Aid	-	-	-	-	-	-
Housing	8	17,872	17,880	7	16,075	16,082
Electric	184	218	402	184	218	402
Telecommunications	-	-	-	-	-	-
Water and Environmental	-	37	37	-	30	30
Business and Industry	14	3,667	3,681	10	2,727	2,737
Economic Development	-	-	-	-	-	-
Total Guarantees Disbursed	$ 272	$ 34,210	$ 34,482	$ 259	$ 30,389	$ 30,648

Table 6. Liability for Loan Guarantees (Present Value Method for Pre-1992 Guarantees)

FY 2008	Liabilities for Losses on Pre-1992 Guarantees Present Value	Liabilities for Loan Guarantees on Post-1991 Guarantees Present Value	Total Liabilities for Loan Guarantees
Loan Guarantee Programs			
Farm	$ -	$ 114	$ 114
Export	-	162	162
Food Aid	-	-	-
Housing	-	766	766
Electric	-	-	-
Telecommunications	-	-	-
Water and Environmental	-	-	-
Business and Industry	1	290	291
Economic Development	-	-	-
Total Liability for Loan Guarantees	$ 1	$ 1,332	$ 1,333

FY 2007	Liabilities for Losses on Pre-1992 Guarantees Present Value	Liabilities for Loan Guarantees on Post-1991 Guarantees Present Value	Total Liabilities for Loan Guarantees
Loan Guarantee Programs			
Farm	$ 1	$ 126	$ 127
Export	-	184	184
Food Aid	-	-	-
Housing	-	655	655
Electric	-	-	-
Telecommunications	-	-	-
Water and Environmental	-	-	-
Business and Industry	1	291	292
Economic Development	-	-	-
Total Liability for Loan Guarantees	$ 2	$ 1,256	$ 1,258

Table 7. Schedule for Reconciling Loan Guarantee Liability

	FY 2008	FY 2007
Beginning balance of the loan guarantee liability	$ 1,255	$ 1,293
Add:Subsidy expense for guaranteed loans disbursed during the year by component		
Interest supplement costs	29	33
Default costs (net of recoveries)	418	280
Fees and other collections	(209)	(126)
Other subsidy costs	-	-
Total of the above subsidy expense components	238	187
Adjustments		
Loan guarantee modifications	(90)	-
Fees received	169	105
Interest supplements paid	15	(10)
Claim payments to lenders	(90)	(107)
Interest accumulation on the liability balance	99	(29)
Other	(109)	195
Ending balance of the subsidy cost allowance before reestimates	1,487	1,634
Add or subtract subsidy reestimates by component:		
Interest rate reestimate	34	(64)
Technical/default reestimate	(189)	(315)
Total of the above reestimate components	(155)	(379)
Ending balance of the loan guarantee liability	$ 1,332	$ 1,255

Table 8. Subsidy Expense for Loan Guarantees by Program and Component

FY 2008

Loan Guarantee Programs	Interest Supplement	Defaults	Fees and Other Collections	Other	Subtotal	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	$ 15	$ 49	$ (18)	$ -	$ 46	$ -	$ 3	$ (52)	$ (49)	$ (3)
Export	-	58	(10)	-	48	-	(5)	(38)	(43)	5
Food Aid	-	-	-	-	-	-	-	-	-	-
Housing	14	228	(146)	-	96	-	(1)	(10)	(11)	85
Electric	-	-	-	-	-	-	-	-	-	-
Telecommunications	-	-	-	-	-	-	-	-	-	-
Water and Environmental	-	-	-	-	-	-	-	-	-	-
Business and Industry	-	83	(35)	-	48	-	37	(90)	(53)	(5)
Economic Development	-	-	-	-	-	-	-	-	-	-
Total Loan Guarantee Subsidy Expense	$ 29	$ 418	$ (209)	$ -	$ 238	$ -	$ 34	$ (190)	$ (156)	$ 82

FY 2007

Loan Guarantee Programs	Interest Supplement	Defaults	Fees and Other Collections	Other	Subtotal	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	$ 21	$ 51	$ (17)	$ -	$ 55	$ -	$ -	$ (37)	$ (37)	$ 18
Export	-	48	(7)	-	41	-	(95)	(294)	(389)	(348)
Food Aid	-	-	-	-	-	-	-	-	-	-
Housing	12	126	(80)	-	58	-	12	(25)	(13)	45
Electric	-	-	-	-	-	-	-	-	-	-
Telecommunications	-	-	-	-	-	-	-	-	-	-
Water and Environmental	-	-	-	-	-	-	(1)	1	-	-
Business and Industry	-	55	(22)	-	33	-	21	39	60	93
Economic Development	-	-	-	-	-	-	-	-	-	-
Total Loan Guarantee Subsidy Expense	$ 33	$ 280	$ (126)	$ -	$ 187	$ -	$ (63)	$ (316)	$ (379)	$ (192)

Table 9. Guaranteed Loans Disbursed

	FY 2008		FY 2007	
	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
Loan Guarantee Programs				
Farm	$ 2,163	$ 1,944	$ 2,110	$ 1,896
Export	1,907	1,909	1,086	1,037
Food Aid	-	-	-	-
Housing	6,484	5,832	3,643	3,275
Electric	-	-	-	-
Telecommunications	-	-	-	-
Water and Environmental	40	33	7	6
Business and Industry	780	609	588	459
Economic Development	-	-	-	-
Total Guaranteed Loans Disbursed	$ 11,374	$ 10,327	$ 7,434	$ 6,673

Table 10. Administrative Expenses

	FY 2008	FY 2007
Direct Loan Programs	$ 537	$ 527
Guaranteed Loan Programs	293	230
Total Administrative Expenses	$ 830	$ 757

Table 11. Subsidy Rates for Direct Loans (percentage)

FY 2008	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Direct Loan Programs					
Farm Operating	(1.11)	13.94	-	(0.14)	12.69
Indian Land Acquisition	2.83	0.31	-	-	3.14
Emergency Disaster	6.72	5.24	-	(0.82)	11.14
Boll Weevil Eradication	(2.00)	1.45	-	0.28	(0.27)
Farm Ownership	(6.72)	11.00	-	0.17	4.45
Farm Storage Facility Loan Program	0.02	1.10	(0.11)	-	1.01
Sugar Storage Facility Loan Program	0.36	0.62	-	-	0.98
Community Facility Loans	5.40	0.73	-	(0.58)	5.55
Water and Waste Disposal Loans	7.03	0.09	-	(0.31)	6.81
Distance Learning and Telemedicine Loans	-	2.15	-	(0.01)	2.14
Broadband Treasury Loans	-	2.17	-	(0.02)	2.15
Electric Hardship Loans	(0.03)	0.96	-	(0.81)	0.12
FFB Electric Loans	(1.37)	0.67	-	-	(0.70)
Telecommunication Hardship Loans	(0.96)	1.00	-	0.04	0.08
FFB Telecommunications Loans	(0.01)	0.85	-	(0.22)	0.62
Treasury Telecommunication Loans	-	0.64	-	0.03	0.67
Single-Family Housing Credit Sales	(15.38)	7.85	-	6.38	(1.15)
Multi-Family Housing Credit Sales	(17.41)	5.41	-	49.15	37.15
Section 502 Single-Family Housing	(13.44)	5.73	-	17.09	9.38
Section 504 Housing Repair	29.14	0.94	-	(1.81)	28.27
Section 515 Multi-Family Housing	(17.92)	1.13	-	59.39	42.60
Section 523 Self-Help Site Development	2.84	-	-	-	2.84
Section 524 Site Development	(1.71)	0.92	-	-	(0.79)
Section 514 Farm Labor Housing	44.45	8.93	-	(10.11)	43.27
Multi-Family Housing Relending Program	46.39	-	-	-	46.39
Intermediary Relending Program	43.53	-	-	(0.64)	42.89
Rural Economic Development Loans	23.15	0.21	-	(0.77)	22.59

FY 2007	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Direct Loan Programs					
Farm Operating	1.02	10.49	-	0.18	11.69
Indian Land Acquisition	5.49	15.66	-	-	21.15
Emergency Disaster	12.38	0.08	-	(0.69)	11.77
Boll Weevil Eradication	2.85	(0.95)	-	-	1.90
Farm Ownership	3.88	0.43	-	(0.12)	4.19
Farm Storage Facility Loan Program	0.03	7.27	(0.11)	(6.81)	0.38
Sugar Storage Facility Loan Program	0.63	7.40	-	(10.74)	(2.71)
Community Facility Loans	7.04	0.18	-	(0.81)	6.41
Water and Waste Disposal Loans	10.31	0.09	-	(0.44)	9.96
Distance Learning and Telemedicine Loans	(0.72)	1.35	-	-	0.63
Broadband Treasury Loans	-	2.19	-	(0.04)	2.15
Electric Hardship Loans	2.25	-	-	(0.11)	2.14
Municipal Electric Loans	1.26	-	-	0.25	1.51
FFB Electric Loans	(1.21)	0.02	-	-	(1.19)
Telecommunication Hardship Loans	0.36	0.01	-	-	0.37
FFB Telecommunications Loans	(1.21)	0.02	-	(0.30)	(1.49)
Treasury Telecommunication Loans	-	0.03	-	-	0.03
FFB Guaranteed Underwriting	(1.24)	0.80	-	-	(0.44)
Single-Family Housing Credit Sales	(16.88)	9.56	-	7.80	0.48
Multi-Family Housing Credit Sales	(19.19)	0.11	-	64.41	45.33
Section 502 Single-Family Housing	(14.99)	5.37	-	19.65	10.03
Section 504 Housing Repair	30.08	1.47	-	(2.00)	29.55
Section 515 Multi-Family Housing	(18.32)	0.07	-	63.92	45.67
Section 523 Self-Help Site Development	2.47	-	-	-	2.47
Section 524 Site Development	(2.59)	0.93	-	-	(1.66)
Section 514 Farm Labor Housing	45.52	0.21	-	2.22	47.95
Multi-Family Housing Relending Program	47.81	-	-	0.01	47.82
Intermediary Relending Program	44.93	-	-	(0.86)	44.07
Rural Economic Development Loans	23.45	0.18	-	(1.79)	21.84

Table 12. Subsidy Rates for Loan Guarantees (percentage)

FY 2008	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Guaranteed Loan Programs					
CCC Export Loan Guarantee Program	-	7.08	(4.74)	-	2.34
Farm Operating—Unsubsidized	-	3.32	(0.90)	-	2.42
Farm Operating—Subsidized	11.05	2.29	-	-	13.34
Farm Ownership—Unsubsidized	-	1.28	(0.88)	-	0.40
Business and Industry Loans	-	7.33	(3.01)	-	4.32
Guaranteed Business & Industry NadBank Loans	-	10.84	(3.14)	-	7.70
Community Facility Loans	-	4.54	(0.86)	-	3.68
Water and Waste Disposal Loans	-	-	(0.82)	-	(0.82)
Section 502 Single-Family Housing Purchase	-	3.20	(2.00)	-	1.20
Section 502 Single-Family Housing Refinance	-	1.31	(0.50)	-	0.81
538 Multi-Family Housing-Subsidized	16.91	0.42	(7.94)	-	9.39
Renewable Energy	-	11.97	(2.28)	-	9.69

FY 2007	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Guaranteed Loan Programs					
CCC Export Loan Guarantee Program	-	9.28	(1.35)	-	7.93
Farm Operating—Unsubsidized	-	3.37	(0.90)	-	2.47
Farm Operating—Subsidized	7.59	2.48	-	-	10.07
Farm Ownership—Unsubsidized	-	1.48	(0.90)	-	0.58
Community Facility Loans	-	4.52	(0.86)	-	3.66
Water and Waste Disposal Loans	-	-	(0.90)	-	(0.90)
Section 502 Single-Family Housing Purchase	-	3.21	(2.00)	-	1.21
Section 502 Single-Family Housing Refinance	-	1.00	(0.50)	-	0.50
538 Multi-Family Housing-Subsidized	14.59	0.50	(7.35)	-	7.74
Renewable Energy	-	8.03	(1.54)	-	6.49

Note 8. Inventory and Related Property, Net

Commodity inventory is restricted for the purpose of alleviating distress caused by natural disasters, providing emergency food assistance in developing countries and providing price support and stabilization. Commodity loan forfeitures during the fiscal years ended September 30, 2008 and 2007 were $8 million and $77 million, respectively.

	FY 2008		FY 2007	
Inventories		$ -		$ 1
Commodities:	Volume (in millions)	Amount	Volume (in millions)	Amount
Corn (In Bushels):				
On hand at the beginning of the year	1	2	1	2
Acquired during the year	3	25	4	12
Disposed of during the year				
Sales	-	-	(4)	(12)
Donations	(3)	(25)	-	-
Other	(1)	(2)	-	-
On hand at the end of the year	-	-	1	2
Wheat (In Bushels):				
On hand at the beginning of the year	39	144	43	159
Acquired during the year	29	295	35	182
Disposed of during the year				
Sales	(56)	(124)	(30)	(179)
Donations	(6)	(295)	(7)	(12)
Other	(6)	(20)	(2)	(6)
On hand at the end of the year	-	-	39	144
Nonfat Dry Milk (In Pounds):				
On hand at the beginning of the year	14	13	49	40
Acquired during the year	-	-	-	-
Disposed of during the year				
Sales	(1)	(1)	(1)	(1)
Donations	(11)	(11)	(34)	(36)
Other	(2)	(1)	-	10
On hand at the end of the year	-	-	14	13
Other:				
On hand at the beginning of the year		25		24
Acquired during the year		879		5,274
Disposed of during the year				
Sales		(1)		(5,223)
Donations		(888)		(46)
Other		-		(4)
On hand at the end of the year		15		25
Allowance for losses		-		-
Total Commodities		15		184
Total Inventory and Related Property, Net		$ 15		$ 185

NOTE 9. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

FY 2008

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		$ 76	$ -	$ 76
Improvements to Land	10 - 50	697	(588)	109
Construction-in-Progress		982	-	982
Buildings, Improvements and Renovations	15 - 30	1,936	(1,214)	722
Other Structures and Facilities	15 - 50	1,728	(1,296)	432
Equipment	5 - 20	1,650	(1,325)	325
Assets Under Capital Lease	3 - 20	143	(78)	65
Leasehold Improvements	10	66	(42)	24
Internal-Use Software	5 - 8	560	(376)	184
Internal-Use Software in Development		51	(1)	50
Other General Property, Plant and Equipment	5 - 15	4	-	4
Total		$ 7,893	$ (4,920)	$ 2,973

FY 2007

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		$ 77	$ -	$ 77
Improvements to Land	10 - 50	5,028	(2,823)	2,205
Construction-in-Progress		884	-	884
Buildings, Improvements and Renovations	15 - 30	1,903	(1,161)	742
Other Structures and Facilities	15 - 50	1,685	(1,248)	437
Equipment	5 - 20	1,687	(1,359)	328
Assets Under Capital Lease	3 - 20	70	(34)	36
Leasehold Improvements	10	63	(38)	25
Internal-Use Software	5 - 8	482	(311)	171
Internal-Use Software in Development		23	(1)	22
Other General Property, Plant and Equipment	5 - 15	4	-	4
Total		$ 11,906	$ (6,975)	$ 4,931

NOTE 10. STEWARDSHIP PP&E

Stewardship PP&E consist of assets whose physical properties resemble those of General PP&E that are traditionally capitalized in the financial statements. Due to the nature of these assets however, valuation would be difficult and matching costs with specific periods would not be meaningful. Stewardship PP&E include heritage assets and stewardship land.

Heritage Assets

Heritage assets are unique and are generally expected to be preserved indefinitely. Heritage assets may be unique because they have historical or natural significance, are of cultural, educational or artistic importance, or have significant architectural characteristics. The assets are reported in terms of physical units rather than cost, fair value, or other monetary values. No amounts are shown on the balance sheet for heritage assets, except for multi-use heritage assets in which the predominant use of the asset is in general government operations. The costs of acquisition, betterment, or reconstruction of multi-use heritage assets is capitalized as general PP&E and depreciated. The costs of acquiring, constructing, improving, reconstructing, or renovating heritage assets, other than multi-use is considered an expense in the period incurred when determining the net cost of operations. Heritage assets consist of collection type, such as objects gathered and maintained for exhibition, for example library collections; and non-collection-type, such as memorials, monuments and buildings.

National Forests, National Grasslands and Other Sites—FS manages its heritage assets by site. Some of these assets are listed on the National Register of Historic Places, and some are designated as National Historic Landmarks. Collection type assets held at museums and universities are managed by those entities. Heritage assets include historic structures consciously created to serve some human purpose, such as buildings, monuments, logging and mining camps and ruins. Heritage assets designated as National Historic Landmarks include buildings or structures that possess exceptional value in commemorating or illustrating the history of the U.S., and exceptional value or quality in illustrating and interpreting the heritage of the U.S. Heritage assets listed on the National Register of Historic Places include properties, buildings and structures that are significant in U.S. history, architecture and archaeology and in the cultural foundation of the Nation.

Research Centers—ARS conducts research at 36 research centers nationwide to develop and transfer solutions to agricultural problems of high national priority and provides information access and dissemination to ensure high-quality, safe food and other agricultural products; assess the nutritional needs of Americans; sustain a competitive agricultural economy; enhance the natural resource base and the environment; and provide economic opportunities for rural citizens, communities, and society as a whole. NRCS owns one research center, the Tucson Plant Material Center (TPMC). The TPMC develops and evaluates native plants and addresses an array of resource issues in the areas of rangeland, mined land, urban lands, cropland riparian areas and desert lands. Research centers are considered heritage assets because one or more buildings or structures at these centers is on the National Register of Historic Places or have been identified as eligible for inclusion on the National Register.

Library Collections—The National Agricultural Library (NAL) as a whole is the largest collection of materials devoted to agriculture in the world. The collections are in constant use to support the research activities of USDA, departmental operations and to answer citizen inquiries. NAL houses and provides access to millions of books and periodicals. The overwhelming number of these items were published more than 25 years ago and almost all of them are out-of-print and unavailable for purchase. By statute, NAL is the primary depository of publications and information concerning the research and other activities of USDA. Included in the collection are government documents and many items that are unique and irreplaceable. NAL collects, preserves and provides access to manuscripts, rare books, photographs, posters, oral histories and other unique materials. Collection concentrations include the fields of agriculture, horticulture, entomology, poultry sciences, botany, natural history and agricultural history. Although focused primarily on American agriculture and related sciences, NAL holds numerous items of international origin.

Stewardship Land

Stewardship land is land and land rights not acquired for or in connection with items of general PP&E. Land is defined as the solid surface of the earth, excluding natural resources. Stewardship land is valued for its environmental resources, recreational and scenic value, cultural and paleontological resources, vast open spaces, and resource commodities and revenue provided to the Federal government, states, and counties. These assets are reported in terms of physical units rather than cost, fair value, or other monetary values. No asset amount is shown on the balance sheet for stewardship land. The acquisition cost of stewardship land is considered an expense in the period acquired when determining the net cost of operations. Stewardship land consists primarily of the national forests and grasslands owned by the FS and conservation easements purchased by NRCS.

National Forests—National forests are formally established and permanently set aside and reserved for national forest purposes, including National Wilderness, National Primitive, National Wild and Scenic River, National Recreation, National Scenic Research, National Game Refuges and Wildlife Preserve, and National Monument areas.

National Grasslands—National grasslands are designated by the Secretary of Agriculture and permanently held by the USDA under Title III of the Bankhead-Jones Farm Tenant Act.

Research and Experimental Areas—Research and experimental areas are reserved and dedicated by the Secretary of Agriculture for forest and range research experimentation. Areas reported are located outside the exterior boundaries of a national forest or national grassland.

National Preserves and Other Areas—National preserves are units established to protect and preserve scientific, scenic, geologic, watershed, fish, wildlife, historic, cultural and recreational values; and provide for multiple use and sustained yield of its renewable resources. Other areas include areas administered by the FS that are not included in one of the above groups.

Conservation Easements—NRCS provides landowners financial and technical assistance in return for maintaining and improving high quality productive soils, clean and abundant water, healthy plant and animal communities, clean air, an adequate energy supply, and working farm and ranch land. NRCS acquires conservation easements on private lands through the Wetlands Reserve, Grassland Reserve, Emergency Wetlands Reserve and Watershed Protection, Farm and Ranch Land Protection, and Healthy Forest Reserve programs. For the purpose of stewardship asset reporting in the financial statements, all easements where NRCS is named as grantee on the easement deed are included as a stewardship asset when the easement deed is signed by the grantor. Also included are easements where NRCS is not specifically named as grantee but has contributed to the purchase of a conservation easement under cooperative agreement and the agency has assumed the management responsibility of the easement due to non-compliance by the cooperator under the terms of the agreement.

	FY 2008
Heritage Assets	
National Forests	155
National Grasslands	20
Other Sites	22
Research Centers	37
Library Collections	1
Total	235
Stewardship Land	
National Forests	155
National Grasslands	20
Research and Experimental Areas	3
National Preserves and Other Areas	3
Conservation Easements	10,431
Total	10,612

NOTE 11. OTHER ASSETS

In fiscal 2008 and 2007, other assets include investments in trust for loan asset sales of $35 million and $34 million, respectively.

	FY 2008	FY 2007
Intragovernmental:		
Advances to Others	$ 5	$ -
With the Public:		
Advances to Others	216	114
Prepayments	-	-
Other Assets	37	37
Total Other Assets	$ 258	$ 151

Note 12. Liabilities Not Covered By Budgetary Resources

In fiscal 2008 and 2007, other intragovernmental liabilities not covered by budgetary resources include accruals for Federal Employee Compensation Act (FECA) of $164 million and $162 million, respectively, and contract disputes claims payable to Treasury's Judgment Fund of $17 million and $15 million, respectively.

In fiscal 2008 and 2007, other liabilities with the public not covered by budgetary resources include, Tobacco Transition Payment Program of $5,302 million and $5,380 million, accruals for rental payments under the Conservation Reserve Program (CRP) of $1,776 million and $1,810 million, unfunded leave of $616 million and $592 million, Payments to States $531 million and $394 million, and contingent liabilities of $29 million and $48 million, respectively. In fiscal 2008, RMA reported a liability in the amount of $2,145 million for future funded indemnity costs.

	FY 2008	FY 2007
Intragovernmental:		
Other	$ 190	$ 178
Subtotal Intragovernmental	190	178
With the Public:		
Federal employee and veterans' benefits	832	775
Environmental and disposal liabilities	18	105
Other	10,410	8,222
Subtotal With the Public	11,260	9,102
Total liabilities not covered by budgetary resources	11,450	9,280
Total liabilities covered by budgetary resources	109,522	105,501
Total Liabilities	$ 120,972	$ 114,781

NOTE 13. DEBT

FY 2008	Beginning Balance	Net Borrowing	Ending Balance
Intragovernmental			
Debt to the Treasury	$ 49,197	$ 2,004	$ 51,201
Debt to the Federal Financing Bank	25,904	472	26,376
Total Intragovernmental	75,101	2,476	77,577
Agency Debt:			
Held by the Public	-	-	-
Total Debt	$ 75,101	$ 2,476	$ 77,577

FY 2007	Beginning Balance	Net Borrowing	Ending Balance
Intragovernmental			
Debt to the Treasury	$ 58,187	$ (8,990)	$ 49,197
Debt to the Federal Financing Bank	25,260	644	25,904
Total Intragovernmental	83,447	(8,346)	75,101
Agency Debt:			
Held by the Public	-	-	-
Total Debt	$ 83,447	$ (8,346)	$ 75,101

NOTE 14. ENVIRONMENTAL AND DISPOSAL LIABILITIES

The Department is subject to the Comprehensive Environmental Response, Compensation, and Liability Act, the Clean Water Act, and the Resource Conservation and Recovery Act for cleanup of hazardous waste. In FY 2008, the FS and CCC estimate the liability for total cleanup costs for sites known to contain hazardous waste to be $18 million and $7 million respectively, $97 million for FS and $8 million for CCC in FY 2007, based on actual cleanup costs at similar sites. These estimates will change as new sites are discovered, remedy standards change and new technology is introduced.

NOTE 15. OTHER LIABILITIES

In fiscal 2008, other liabilities with the public include estimated losses on crop insurance claims of $3,881 million, estimated underwriting gains on crop insurance of $2,491 million, crop insurance premium subsidy deficiency reserve of $887 million, Payments to States of $531 million, estimated program delivery cost to reinsurer of $31 million, loans paid in advance for multi-family housing of $20 million, and credit reform programs of $10 million.

In fiscal 2007, other liabilities with the public include estimated losses on crop insurance claims of $2,579 million, estimated underwriting gains on crop insurance of $1,509 million, crop insurance premium subsidy deficiency reserve of $565 million, Payments to States of $394 million, credit reform programs of $12 million, undistributed credits for insured loans of $11 million and estimated program delivery cost to reinsurer of $9 million.

FY 2008	Non-Current	Current	Total
Intragovernmental:			
Other Accrued Liabilities	$ 17	$ 126	$ 143
Employer Contributions and Payroll Taxes	-	75	75
Unfunded FECA Liability	-	164	164
Advances from Others	-	12	12
Liability for Deposit Funds, Clearing Accounts	-	(15)	(15)
Liability for Subsidy Related to Undisbursed Loans	-	525	525
Resources Payable to Treasury	-	12,702	12,702
Custodial Liability	-	72	72
Other Liabilities	-	-	-
Subtotal Intragovernmental	17	13,661	13,678
With the Public:			
Other Accrued Liabilities	-	14,070	14,070
Accrued Funded Payroll and Leave	-	201	201
Unfunded Leave	-	616	616
Advances from Others	-	52	52
Deferred Credits	-	645	645
Liability for Deposit Funds, Clearing Accounts	-	285	285
Contingent Liabilities	14	115	129
Capital Lease Liability	28	37	65
Custodial Liability	-	2	2
Other Liabilities	20	7,823	7,843
Subtotal With the Public	62	23,846	23,908
Total Other Liabilities	$ 79	$ 37,507	$ 37,586

FY 2007	Non-Current	Current	Total
Intragovernmental:			
Other Accrued Liabilities	$ 15	$ 550	$ 565
Employer Contributions and Payroll Taxes	-	45	45
Unfunded FECA Liability	-	162	162
Advances from Others	-	35	35
Liability for Deposit Funds, Clearing Accounts	-	(29)	(29)
Liability for Subsidy Related to Undisbursed Loans	-	-	-
Resources Payable to Treasury	-	12,921	12,921
Custodial Liability	-	54	54
Subtotal Intragovernmental	15	13,738	13,753
With the Public:			
Other Accrued Liabilities	-	13,644	13,644
Accrued Funded Payroll and Leave	-	44	44
Unfunded Leave	-	550	550
Other Unfunded Employment Related Liability	-	41	41
Advances from Others	-	63	63
Deferred Credits	-	406	406
Liability for Deposit Funds, Clearing Accounts	-	205	205
Contingent Liabilities	11	37	48
Capital Lease Liability	32	4	36
Custodial Liability	-	2	2
Other Liabilities	20	5,058	5,078
Subtotal With the Public	63	20,054	20,117
Total Other Liabilities	$ 78	$ 33,792	$ 33,870

NOTE 16. LEASES

USDA activities based in the Washington D.C. area are located in General Services Administration (GSA) leased facilities, and USDA owned buildings. The USDA Headquarter complex (Whitten Building, South Building and Cotton Annex) is a government owned facility, which is part of the GSA Federal Buildings Inventory. As the result of a 1998 Agreement between GSA and USDA, a moratorium was placed on the rental billings for the Headquarters complex beginning in FY 1999.

At current market rate, the estimated yearly rental payment for the above mentioned space would be $51 million. This agreement is still in effect and as a result, USDA activities located in the Headquarter complex are not billed for rental costs.

Effective September 30, 2007, the Department released the Cotton Annex to GSA and no longer occupies the building.

FY 2008

Capital Leases:

Summary of Assets Under Capital Leases

Land and Building	$ 142
Machinery and Equipment	1
Accumulated Amortization	(78)

Future Payments Due:

Fiscal Year	Land & Buildings
2009	22
2010	20
2011	19
2012	16
2013	13
After 5 Years	57
Total Future Lease Payments	147
Less: Imputed Interest	48
Less: Executory Costs	19
Less: Lease Renewal Options	15
Net Capital Lease Liability	65
Lease liabilities covered by budgetary resources	65

Operating Leases:

Future Payments Due:

Fiscal Year	Land & Buildings	Machinery & Equipment	Other	Totals
2009	106	1	-	107
2010	94	1	-	95
2011	84	-	-	84
2012	73	-	-	73
2013	63	-	-	63
After 5 Years	426	-	-	426
Total Future Lease Payments	$ 846	$ 2	$ -	$ 848

FY 2007

Capital Leases:

Summary of Assets Under Capital Leases

Land and Building	$ 68
Machinery and Equipment	2
Accumulated Amortization	(34)

Future Payments Due:

Fiscal Year	Land & Buildings
2008	11
2009	10
2010	10
2011	10
2012	10
After 5 Years	65
Total Future Lease Payments	116
Less: Imputed Interest	55
Less: Executory Costs	25
Less: Lease Renewal Options	-
Net Capital Lease Liability	36
Lease liabilities covered by budgetary resources	36

Operating Leases:

Future Payments Due:

Fiscal Year	Land & Buildings	Machinery & Equipment	Other	Totals
2008	82	1	-	83
2009	73	-	-	73
2010	68	-	-	68
2011	62	-	-	62
2012	56	-	-	56
After 5 Years	441	1	-	442
Total Future Lease Payments	$ 782	$ 2	$ -	$ 784

Note 17. Commitments and Contingencies

The Department is subject to various claims and contingencies related to lawsuits as well as commitments under contractual and other commercial obligations.

For cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, $129 million and $48 million has been accrued in the financial statements as of September 30, 2008 and 2007, respectively.

No amounts have been accrued in the financial statements for claims where the amount is uncertain or where the probability of judgment against USDA is remote. The Department's potential liability for claims where a judgment against the Department is reasonably possible ranges from $50 million to $260 million as of September 30, 2008, compared to $2,867 million to $2,969 million as of September 30, 2007.

CRP rental payments are estimated to be $1,900 million annually through FY 2016. Commitments to extend loan guarantees are estimated to be $3,846 million and $2,719 million in fiscal 2008 and 2007, respectively.

Note 18. Earmarked Funds

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes and must be accounted for separately from the Government's general revenues.

Financial information for all significant earmarked funds follows the descriptions of each fund's purpose shown below.

Risk Management Agency

Federal Crop Insurance Corporation Fund (FCIC)

Resources for the FCIC Fund includes funds collected from the public for insurance premiums and other insurance related fees that are used with appropriations from Congress and unobligated balances from previous years to fund the Federal Crop Insurance Program. Funds are available under 7 U.S.C. 1501-1519.

Agricultural Marketing Service

Funds for Strengthening Markets, Income, and Supply

This fund is used to purchase commodities for schools and elderly feeding programs, to provide goods and other necessities in emergencies and disasters, and to purchase agricultural commodities to stabilize markets. The fund is permanently financed by statutory transfer of an amount equal to 30 percent of customs receipts collected during each calendar year and is automatically appropriated for expanding outlets for perishable, non-price supported commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Food and Nutrition Service and is used to purchase commodities under section 6 of the National School Lunch Act and other authorities specified in the child nutrition appropriation. Funds are available under section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c).

Expenses and Refunds, Inspection and Grading of Farm Products

The commodity grading programs provide grading, examination, and certification services for a wide variety of fresh and processed food commodities using federally approved grade standards and purchase specifications. This fund is financed by the collection of fees charged to producers of various food commodities who request, on a voluntary basis, inspection and grading of agricultural food commodities. This program is authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627).

Animal Plant Health Inspection Service

Agricultural Quarantine Inspection User Fee Account

This fund is used to record and report expenditures and revenue associated with operating Agricultural Quarantine Inspection (AQI) activities at ports of entry. The Farm Bill of 1990, as amended by the Federal Agriculture Improvement and Reform Act of 1996, gave the Animal and Plant Health Inspection Service (APHIS) the authority to charge user fees for AQI services, and to use the revenue to fund AQI activities. In March of 2003, a portion of the AQI program was transferred to the Department of Homeland Security (DHS); however, APHIS retained the authority to collect AQI revenue. APHIS transfers a portion of the revenue to DHS periodically throughout the year to fund their expenditures. The revenue in the fund is collected from airlines, air passengers, vessels, trucks, and railroad cars that are subject to AQI inspection at ports of entry. These user fees are an inflow of revenue from the public that is used to fund AQI inspections that are required by APHIS and DHS. The authority is codified in 21 U.S.C. 136(a).

Forest Service

Cooperative Work

Cooperative contributions are deposited for disbursement in compliance with the terms and provisions of the agreement between the cooperator and the Forest Service. Cooperators include timber purchasers, not-for-profit organizations, and local hunting and fishing clubs. The governing authorities are the Act of June 30, 1914 (16 U.S.C. 498), and the Knutson-Vandenberg Act.

Land Acquisition

Each fiscal year this fund receives a transfer of recreation user fees from the Department of the Interior's Land and Water Conservation Fund, to be used for the acquisition of land or waters, or interest therein, including administrative expenses, to carry out the provisions of the Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 460l-4-11), pertaining to the preservation of watersheds. The Land Acquisition program is authorized by the Interior and Related Agencies Appropriations Act of December 30, 1982 (96 Stat. 1983, Public Law 97-394).

Payments to States, National Forest Fund

The Payments to States, National Forest Fund receives receipts from the National Forest Fund. These monies are generated from the sale of goods and services at the national forests. Annually, revenue-sharing payments are made to the States in which the national forests are located, for public schools and public roads in the county or counties in which the national forests are situated. The Act of May 23, 1908, as amended (16 U.S.C. 500), authorized the Payments to States, National Forest Fund program.

Timber Salvage Sales

The Timber Salvage Sale Fund was established to facilitate the timely removal of timber damaged by fire, wind, insects, disease, or other events. Amounts collected from the sale of salvaged timber are used on other qualifying salvage sales to cover the cost of preparing and administering the sales. The Timber Salvage Sales program is authorized by 16 USC 472(a).

State, Private, and International Forestry Land and Water Conservation Fund

The Fiscal Year 2004 Department of the Interior and Related Agencies Appropriation Act (Public Law 108-108) authorizes the Forest Service to receive a transfer of receipts from the Department of the Interior's Land and Water Conservation Fund to finance the existing Forest Legacy Program, funded previously by State and Private Forestry general appropriation. To accommodate the new financing arrangement and at OMB's request, the U.S. Department of Treasury established a new special fund, "State, Private and International Forestry Land and Water Conservation Fund". The program expenditures include grants and an occasional land purchase, but no real property will be procured or constructed.

Recreation Fee Demonstration Program

The Recreation Fee Demonstration Program fund receives deposits of recreation fees collected from projects that are part of the Recreation Fee Demonstration Program. These monies are retained and used for backlog repair and maintenance of recreation areas, sites or projects. These funds are also used for interpretation, signage, habitat or facility enhancement, resource preservation, annual operation, maintenance, and law enforcement related to public use of recreation areas and sites. The Recreation Fee Demonstration Program is authorized by 16 U.S.C. 4601-6(a).

National Forest Fund Receipts

The Federal Lands Recreation Enhancement Act (FLREA) (Public Law 108-447) sets forth provisions for collection of recreation fees and retention of special recreation permit fees by the FS. The FS deposits 85 percent of special use permit revenues from these authorizations into the National Forest Fund.

Restoration of Forest Lands and Improvements

The Restoration of Forest Lands and Improvements Acts (16 U.S.C. 579(c)) provides that any moneys received by the United States with respect to lands under the administration of the Forest Service (a) as a result of the forfeiture of a bond or deposit by a permittee or timber purchaser for failure to complete performance of improvement, protection, or rehabilitation work required under the permit or timber sale contract or (b) as a result of a judgment, compromise, or settlement of any claim, involving present or potential damage to lands or improvements, shall be deposited into the United States Treasury and are appropriated and made available until expended to cover the cost to the United States of any improvement, protection, or rehabilitation work on lands under the administration of the Forest Service rendered necessary by the action which led to the forfeiture, judgment, compromise, or settlement: Provided, that any portion of the moneys received in excess of the amount expended in performing the work necessitated by the action which led to their receipt shall be transferred to miscellaneous receipts.

Acquisition of Lands to Complete Land Exchanges

As authorized by 7 statutes, this program is funded annually by congressional appropriation action, with forest revenues generated by the occupancy of public land or from the sale of natural resources other than minerals. All funds appropriated that remain unobligated at the end of the fiscal year are returned to the receipts of the affected national forests. These funds are used to purchase land and for related expenditures such as title search, escrow, recording, and personnel costs when the purchase is considered necessary to minimize soil erosion and flood damage. This appropriation is available for land acquisition within the exterior boundaries of the national forests.

Cooperative State Research Education and Extension Service

Native American Institutions Endowment Fund

The Native American Institutions Endowment Fund is authorized by Public Law 103-382 (7 U.S.C. 301 note). This program provides for an endowment for the 1994 land-grant institutions (31 Tribally controlled colleges) to strengthen the infrastructure of these institutions and develop Indian expertise for the food and agricultural sciences and businesses and their own communities. At the termination of each fiscal year, the Secretary shall withdraw the income from the endowment fund for the fiscal year, and after making adjustments for the cost of administering the fund, distribute the adjusted income on a formula basis to the 1994 land-grant institutions.

Farm Service Agency

Agricultural Disaster Relief Trust Fund

The Agricultural Disaster Relief Trust Fund shall make amounts available for the purpose of expenditures to meet the obligations of the United States incurred under section 901 or section 531 of the Federal Crop Insurance Act. The trust fund will be used to make payments to farmers and ranchers under five disaster assistance programs: (1) Supplemental Revenue Assistance Payments (SURE) Program, (2) Livestock Feed Program (LFP), (3) Livestock Indemnity Program (LIP), (4) Tree Assistance Program (TAP), and (5) Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP). The fund has appropriated an amount equivalent to 3.08 percent of the amounts received in the general fund of the Treasury of the United States during fiscal years 2008 through 20011 attributable to the duties collected on articles entered, or withdrawn from warehouse, for consumption under the Harmonized Tariff Schedule of the United States.

Other

Financial information is summarized for all other earmarked funds with total assets less than $50 million listed below.

Agricultural Marketing Service

Perishable Agricultural Commodities Act

Animal Plant Health Inspection Service

Miscellaneous Contributed Funds

Forest Service

Roads and Trails for States, National Forest Fund

Reforestation Trust Fund

Payments to Counties, National Grasslands
Timber Sales Pipeline Restoration Fund
Operation and Maintenance of Forest Service Quarters
Timber Roads, Purchaser Elections
Expenses, Brush Disposal
Range Betterment Fund
Acquisition of Lands for National Forests, Special Acts
Construction of Facilities or Land Acquisition
Recreation Fees for Collection Costs
Payment to Minnesota (Cook, Lake and Saint Louis Counties)
Licensee Program
Tongass Timber Supply Fund
Resource Management Timber Receipts
Quinault Special Management Area
MNP Rental Fee Account
Midewin National Tallgrass Prairie Restoration Fund
Land Between the Lakes Management Fund
Administration of Rights-of-Way and Other Land Uses Fund
Valles Caldera Fund
Hardwood Technology Transfer and Applied Research Fund
Stewardship Contracting Product Sales
Mount Saint Helens Highway
Gifts, Donations and Bequests for Forest and Rangeland Research
Land Between the Lakes Trust Fund
Gifts and Bequests

Natural Resources Conservation Service

Miscellaneous Contributed Funds

Agricultural Research Service

Concessions Fees and Volunteer Services
Gifts and Bequests
Miscellaneous Contributed Funds

Rural Development

Alternative Agricultural Research and Commercialization Revolving Fund

Foreign Agricultural Service

Miscellaneous Contributed Funds

Grain Inspection, Packers and Stockyards Administration

Inspection and Weighing Services

Office of the Inspector General

Inspector General Assets Forfeiture, Department of Justice
Inspector General Assets Forfeiture, Department of Treasury

Earmarked Funds

Balance Sheet As of September 30, 2008	RMA Federal Crop Insurance Corporation Fund	AMS Funds for Strengthening Markets, Income, and Supply	AMS Expenses and Refunds, Inspection and Grading of Farm Products	APHIS Agricultural Quarantine Inspection User Fee Account	FS Cooperative Work	FS Land Acquisition	FS Payments to States, National Forests Fund	FS Timber Salvage Sales	FS State, Private, and International Forestry, Land and Water Conservation Fund
Fund Balance with Treasury	$ 2,364	$ 362	$ 95	$ 153	$ 296	$ 32	$ 96	$ 66	$ 107
Investments	-	-	-	-	-	-	-	-	-
Other Assets	3,744	329	18	148	21	49	3	4	4
Total Assets	6,108	691	113	301	317	81	99	70	111
Other Liabilities	8,318	11	60	81	54	1	134	4	4
Total Liabilities	8,318	11	60	81	54	1	134	4	4
Unexpended Appropriations	944	302	-	130	-	-	-	-	1
Cumulative Results of Operations	(3,154)	378	53	90	263	80	(35)	66	106
Total Liabilities and Net Position	6,108	691	113	301	317	81	99	70	111
Statement of Net Cost For the Period Ended September 30, 2008									
Gross program costs	7,081	717	185	199	139	40	169	43	47
Less Earned Revenues	1,440	1	155	607	105	-	59	36	-
Net Cost of Operations	5,641	716	30	(408)	34	40	110	7	47
Statement of Changes in Net Position For the period Ended September 30, 2008									
Net Position Beginning of Period	(393)	854	25	132	304	66	76	73	100
Changes in Accounting Principles	-	-	-	-	(3)	-	(1)	-	-
Beginning Balance, as Adjusted	(393)	854	25	132	301	66	75	73	100
Non-Exchange Revenue	3,824	542	25	(320)	(4)	54	-	-	54
Other Financing Sources	-	-	33	-	-	-	-	-	-
Net Cost of Operations	(5,641)	(716)	(30)	408	(34)	(40)	(110)	(7)	(47)
Change in net Position	(1,817)	(174)	28	88	(38)	14	(110)	(7)	7
Net Position End of Period	$ (2,210)	$ 680	$ 53	$ 220	$ 263	$ 80	$ (35)	$ 66	$ 107

Earmarked Funds

Balance Sheet As of September 30, 2008	FS Recreation Fee Demonstration Program	FS National Forest Fund Receipts	FS Restoration of Forest Lands and Improvements	FS Acquisition of Lands to Complete Land Exchanges	CSREES Native American Institutions Endowment Fund	FSA Agricultural Disaster Relief Trust Fund	Other	Total
Fund Balance with Treasury	$ 147	$ 74	$ 113	$ 51	$ 11	$ 833	$ 315	$ 5,115
Investments	-	-	-	-	101	-	10	111
Other Assets	4	6	41	23	-	-	33	4,427
Total Assets	151	80	154	74	112	833	358	9,653
Other Liabilities	4	-	-	-	-	-	44	8,715
Total Liabilities	4	-	-	-	-	-	44	8,715
Unexpended Appropriations	-	-	-	-	48	-	3	1,428
Cumulative Results of Operations	147	80	154	74	64	833	311	(490)
Total Liabilities and Net Position	151	80	154	74	112	833	358	9,653
Statement of Net Cost For the Period Ended September 30, 2008								
Gross program costs	65	-	5	10	2	-	237	8,939
Less Earned Revenues	61	34	108	20	4	-	167	2,797
Net Cost of Operations	4	(34)	(103)	(10)	(2)	-	70	6,142
Statement of Changes in Net Position For the period Ended September 30, 2008								
Net Position Beginning of Period	151	48	51	64	98	-	267	1,916
Changes in Accounting Principles	-	-	-	-	-	-	(10)	(14)
Beginning Balance, as Adjusted	151	48	51	64	98	-	257	1,902
Non-Exchange Revenue	-	-	-	-	12	833	60	5,080
Other Financing Sources	-	(2)	-	-	-	-	67	98
Net Cost of Operations	(4)	34	103	10	2	-	(70)	(6,142)
Change in net Position	(4)	32	103	10	14	833	57	(964)
Net Position End of Period	$ 147	$ 80	$ 154	$ 74	$ 112	$ 833	$ 314	$ 938

Earmarked Funds

Balance Sheet As of September 30, 2007	RMA Federal Crop Insurance Corporation Fund	AMS Funds for Strengthening Markets, Income, and Supply	AMS Expenses and Refunds, Inspection and Grading of Farm Products	APHIS Agricultural Quarantine Inspection User Fee Account	FS Cooperative Work	FS Land Acquisition	FS Payments to States, National Forests Fund	FS Timber Salvage Sales
Fund Balance with Treasury	$ 2,344	$ 560	$ 48	$ 135	$ 338	$ 17	$ 146	$ 77
Investments	-	-	-	-	-	-	-	-
Other Assets	2,459	296	35	5	24	50	4	4
Total Assets	4,803	856	83	140	362	67	150	81
Other Liabilities	5,196	2	58	8	58	1	74	8
Total Liabilities	5,196	2	58	8	58	1	74	8
Unexpended Appropriations	642	302	-	129	-	-	-	-
Cumulative Results of Operations	(1,035)	552	25	3	304	66	76	73
Total Liabilities and Net Position	4,803	856	83	140	362	67	150	81
Statement of Net Cost For the Period Ended September 30, 2007								
Gross program costs	4,869	926	163	176	171	55	31	62
Less Earned Revenues	1,018	1	141	472	97	-	(21)	43
Net Cost of Operations	3,851	925	22	(296)	74	55	52	19
Statement of Changes in Net Position For the period Ended September 30, 2007								
Net Position Beginning of Period	(782)	682	15	123	378	89	128	92
Changes in Accounting Principles	-	-	-	-	-	-	-	-
Beginning Balance, as Adjusted	(782)	682	15	123	378	89	128	92
Non-Exchange Revenue	4,240	1,097	2	(287)	-	32	-	-
Other Financing Sources	-	-	30	-	-	-	-	-
Net Cost of Operations	(3,851)	(925)	(22)	296	(74)	(55)	(52)	(19)
Change in net Position	389	172	10	9	(74)	(23)	(52)	(19)
Net Position End of Period	$ (393)	$ 854	$ 25	$ 132	$ 304	$ 66	$ 76	$ 73

Earmarked Funds

Balance Sheet As of September 30, 2007	FS Timber Roads, Purchaser Elections	FS Expenses, Brush Disposal	FS State, Private, and International Forestry, Land and Water Conservation Fund	FS Recreation Fee Demonstration Program	FS Restoration of Forest Lands and Improvements	FS Acquisition of Lands to Complete Land Exchanges	CSREES Native American Institutions Endowment Fund	Other	Total
Fund Balance with Treasury	$ 29	$ 40	$ 101	$ 149	$ 41	$ 48	$ 9	$ 209	$ 4,291
Investments	-	-	-	-	-	-	88	9	97
Other Assets	2	1	2	5	10	17	1	58	2,973
Total Assets	31	41	103	154	51	65	98	276	7,361
Other Liabilities	-	1	3	3	-	1	-	32	5,445
Total Liabilities	-	1	3	3	-	1	-	32	5,445
Unexpended Appropriations	-	-	-	-	-	-	37	3	1,113
Cumulative Results of Operations	31	40	100	151	51	64	61	241	803
Total Liabilities and Net Position	31	41	103	154	51	65	98	276	7,361
Statement of Net Cost For the Period Ended September 30, 2007									
Gross program costs	2	13	41	57	(9)	5	3	205	6,770
Less Earned Revenues	7	10	-	60	16	20	5	190	2,059
Net Cost of Operations	(5)	3	41	(3)	(25)	(15)	(2)	15	4,711
Statement of Changes in Net Position For the period Ended September 30, 2007									
Net Position Beginning of Period	66	56	84	135	25	45	84	274	1,494
Changes in Accounting Principles	-	-	-	-	-	-	-	(59)	(59)
Beginning Balance, as Adjusted	66	56	84	135	25	45	84	215	1,435
Non-Exchange Revenue	(40)	(13)	57	13	1	4	12	18	5,136
Other Financing Sources	-	-	-	-	-	-	-	26	56
Net Cost of Operations	5	(3)	(41)	3	25	15	2	(15)	(4,711)
Change in net Position	(35)	(16)	16	16	26	19	14	29	481
Net Position End of Period	$ 31	$ 40	$ 100	$ 151	$ 51	$ 64	$ 98	$ 244	$ 1,916

NOTE 19. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT

FY 2008	FSA		CCC		FAS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Enhance International Competitiveness and the Sustainability of Rural and Farm Economies:						
Gross Cost	$ -	$ -	$ 176	$ 1,892	$ 95	$ 328
Less: Earned Revenue	-	-	71	347	99	-
Net Cost	-	-	105	1,545	(4)	328
Enhance the Competitiveness and Sustainability of Rural and Farm Economies:						
Gross Cost	953	3,434	1,339	7,254	-	-
Less: Earned Revenue	213	578	16	1,394	-	-
Net Cost	740	2,856	1,323	5,860	-	-
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Improve the Nation's Nutrition and Health:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Cost	-	-	236	1,889	-	-
Less: Earned Revenue	-	-	-	2	-	-
Net Cost	-	-	236	1,887	-	-
Total Gross Costs	953	3,434	1,751	11,035	95	328
Less: Total Earned Revenues	213	578	87	1,743	99	-
Net Cost of Operations	$ 740	$ 2,856	$ 1,664	$ 9,292	$ (4)	$ 328

FY 2008	RMA		FNS		FSIS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Enhance International Competitiveness and						
the Sustainability of Rural and Farm Economies:						
Gross Cost	$ -	$ -	$ -	$ -	$ -	$ -
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Enhance the Competitiveness and Sustainability						
of Rural and Farm Economies:						
Gross Cost	53	7,124	-	-	-	-
Less: Earned Revenue	-	1,440	-	-	-	-
Net Cost	53	5,684	-	-	-	-
Support Increased Economic Opportunities and						
Improved Quality of Life in Rural America:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's						
Agriculture and Food Supply:	-	-	-	-	340	864
Gross Cost	-	-	-	-	4	162
Less: Earned Revenue	-	-	-	-	336	702
Net Cost						
Improve the Nation's Nutrition and Health:						
Gross Cost	-	-	815	59,735	-	-
Less: Earned Revenue	-	-	1	27	-	-
Net Cost	-	-	814	59,708	-	-
Protect and Enhance the Nation's Natural Resource						
Base and Environment:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Total Gross Costs	53	7,124	815	59,735	340	864
Less: Total Earned Revenues	-	1,440	1	27	4	162
Net Cost of Operations	$ 53	$ 5,684	$ 814	$ 59,708	$ 336	$ 702

FY 2008	AMS		APHIS		GIPSA	
	Intragovernmental	**With the Public**	**Intragovernmental**	**With the Public**	**Intragovernmental**	**With the Public**
Enhance International Competitiveness and the Sustainability of Rural and Farm Economies:						
Gross Cost	$ -	$ -	$ -	$ -	$ 13	$ 19
Less: Earned Revenue	-	-	-	-	-	20
Net Cost	-	-	-	-	13	(1)
Enhance the Competitiveness and Sustainability of Rural and Farm Economies:						
Gross Cost	122	934	-	-	18	43
Less: Earned Revenue	7	212	-	-	-	26
Net Cost	115	722	-	-	18	17
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's						
Agriculture and Food Supply:	-	-	361	1,094	-	-
Gross Cost	-	-	28	703	-	-
Less: Earned Revenue	-	-	333	391	-	-
Net Cost						
Improve the Nation's Nutrition and Health:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Total Gross Costs	122	934	361	1,094	31	62
Less: Total Earned Revenues	7	212	28	703	-	46
Net Cost of Operations	$ 115	$ 722	$ 333	$ 391	$ 31	$ 16

FY 2008	FS		NRCS		ARS	
	Intragovernmental	**With the Public**	**Intragovernmental**	**With the Public**	**Intragovernmental**	**With the Public**
Enhance International Competitiveness and the Sustainability of Rural and Farm Economies:						
Gross Cost	$ -	$ -	$ -	$ -	$ -	$ -
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Enhance the Competitiveness and Sustainability of Rural and Farm Economies:						
Gross Cost	-	-	-	-	102	398
Less: Earned Revenue	-	-	-	-	27	13
Net Cost	-	-	-	-	75	385
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's						
Agriculture and Food Supply:	-	-	-	-	100	390
Gross Cost	-	-	-	-	26	11
Less: Earned Revenue	-	-	-	-	74	379
Net Cost						
Improve the Nation's Nutrition and Health:						
Gross Cost	-	-	-	-	22	84
Less: Earned Revenue	-	-	-	-	6	2
Net Cost	-	-	-	-	16	82
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Cost	1,223	5,487	562	2,615	58	227
Less: Earned Revenue	250	616	74	73	15	7
Net Cost	973	4,871	488	2,542	43	220
Total Gross Costs	1,223	5,487	562	2,615	282	1,099
Less: Total Earned Revenues	250	616	74	73	74	33
Net Cost of Operations	$ 973	$ 4,871	$ 488	$ 2,542	$ 208	$ 1,066

FY 2008	CSREES		ERS		NASS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Enhance International Competitiveness and the Sustainability of Rural and Farm Economies:						
Gross Cost	$ -	$ 5	$ 8	$ 10	$ -	$ -
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	5	8	10	-	-
Enhance the Competitiveness and Sustainability of Rural and Farm Economies:						
Gross Cost	13	306	16	20	46	91
Less: Earned Revenue	16	-	1	-	9	2
Net Cost	(3)	306	15	20	37	89
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Cost	6	142	3	4	22	44
Less: Earned Revenue	7	-	-	-	5	1
Net Cost	(1)	142	3	4	17	43
Enhance Protection and Safety of the Nation's						
Agriculture and Food Supply:	7	163	2	2	-	-
Gross Cost	9	-	-	-	-	-
Less: Earned Revenue	(2)	163	2	2	-	-
Net Cost						
Improve the Nation's Nutrition and Health:						
Gross Cost	5	108	9	12	-	-
Less: Earned Revenue	6	-	-	-	-	-
Net Cost	(1)	108	9	12	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Cost	6	140	4	6	-	1
Less: Earned Revenue	7	-	-	-	-	-
Net Cost	(1)	140	4	6	-	1
Total Gross Costs	37	864	42	54	68	136
Less: Total Earned Revenues	45	-	1	-	14	3
Net Cost of Operations	$ (8)	$ 864	$ 41	$ 54	$ 54	$ 133

FY 2008	RD		DO		TOTAL	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Enhance International Competitiveness and the Sustainability of Rural and Farm Economies:						
Gross Cost	$ -	$ -	$ 12	$ 20	$ 304	$ 2,274
Less: Earned Revenue	-	-	18	-	188	367
Net Cost	-	-	(6)	20	116	1,907
Enhance the Competitiveness and Sustainability of Rural and Farm Economies:						
Gross Cost	-	-	125	210	2,787	19,814
Less: Earned Revenue	-	-	187	2	476	3,667
Net Cost	-	-	(62)	208	2,311	16,147
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Cost	3,858	4,358	67	111	3,956	4,659
Less: Earned Revenue	360	4,183	99	1	471	4,185
Net Cost	3,498	175	(32)	110	3,485	474
Enhance Protection and Safety of the Nation's						
Agriculture and Food Supply:	-	-	107	179	917	2,692
Gross Cost	-	-	160	2	227	878
Less: Earned Revenue	-	-	(53)	177	690	1,814
Net Cost						
Improve the Nation's Nutrition and Health:						
Gross Cost	-	-	61	103	912	60,042
Less: Earned Revenue	-	-	92	1	105	30
Net Cost	-	-	(31)	102	807	60,012
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Cost	-	-	111	184	2,200	10,549
Less: Earned Revenue	-	-	165	2	511	700
Net Cost	-	-	(54)	182	1,689	9,849
Total Gross Costs	3,858	4,358	483	807	11,076	100,030
Less: Total Earned Revenues	360	4,183	721	8	1,978	9,827
Net Cost of Operations	$ 3,498	$ 175	$ (238)	$ 799	$ 9,098	$ 90,203

FY 2008	Intradepartmental Eliminations	GRAND TOTAL
Enhance International Competitiveness and		
the Sustainability of Rural and Farm Economies:		
Gross Cost	$ (94)	$ 2,484
Less: Earned Revenue	(100)	455
Net Cost	6	2,029
Enhance the Competitiveness and Sustainability		
of Rural and Farm Economies:		
Gross Cost	(1,606)	20,995
Less: Earned Revenue	(307)	3,836
Net Cost	(1,299)	17,159
Support Increased Economic Opportunities and		
Improved Quality of Life in Rural America:		
Gross Cost	(189)	8,426
Less: Earned Revenue	(109)	4,547
Net Cost	(80)	3,879
Enhance Protection and Safety of the Nation's		
Agriculture and Food Supply:	(235)	3,374
Gross Cost	(170)	935
Less: Earned Revenue	(65)	2,439
Net Cost		
Improve the Nation's Nutrition and Health:		
Gross Cost	(773)	60,181
Less: Earned Revenue	(86)	49
Net Cost	(687)	60,132
Protect and Enhance the Nation's Natural Resource		
Base and Environment:		
Gross Cost	(644)	12,105
Less: Earned Revenue	(201)	1,010
Net Cost	(443)	11,095
Total Gross Costs	(3,541)	107,565
Less: Total Earned Revenues	(973)	10,832
Net Cost of Operations	$ (2,568)	$ 96,733

FY 2007	FSA		CCC		FAS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Enhance International Competitiveness and the Sustainability of Rural and Farm Economies:						
Gross Cost	$ -	$ -	$ 176	$ 1,537	$ 67	$ 290
Less: Earned Revenue	-	-	320	232	106	(44)
Net Cost	-	-	(144)	1,305	(39)	334
Enhance the Competitiveness and Sustainability of Rural and Farm Economies:						
Gross Cost	918	1,423	1,482	11,313	-	-
Less: Earned Revenue	220	485	13	4,402	-	-
Net Cost	698	938	1,469	6,911	-	-
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Improve the Nation's Nutrition and Health:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Cost	-	-	245	1,913	-	-
Less: Earned Revenue	-	-	-	1	-	-
Net Cost	-	-	245	1,912	-	-
Total Gross Costs	918	1,423	1,903	14,763	67	290
Less: Total Earned Revenues	220	485	333	4,635	106	(44)
Net Cost of Operations	$ 698	$ 938	$ 1,570	$ 10,128	$ (39)	$ 334

FY 2007	RMA		FNS		FSIS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Enhance International Competitiveness and the Sustainability of Rural and Farm Economies:						
Gross Cost	$ -	$ -	$ -	$ -	$ -	$ -
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Enhance the Competitiveness and Sustainability of Rural and Farm Economies:						
Gross Cost	54	4,904	-	-	-	-
Less: Earned Revenue	1	1,017	-	-	-	-
Net Cost	53	3,887	-	-	-	-
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's						
Agriculture and Food Supply:	-	-	-	-	275	790
Gross Cost	-	-	-	-	2	148
Less: Earned Revenue	-	-	-	-	273	642
Net Cost						
Improve the Nation's Nutrition and Health:						
Gross Cost	-	-	838	53,509	-	-
Less: Earned Revenue	-	-	2	22	-	-
Net Cost	-	-	836	53,487	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Total Gross Costs	54	4,904	838	53,509	275	790
Less: Total Earned Revenues	1	1,017	2	22	2	148
Net Cost of Operations	$ 53	$ 3,887	$ 836	$ 53,487	$ 273	$ 642

FY 2007

	AMS		APHIS		GIPSA	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Enhance International Competitiveness and the Sustainability of Rural and Farm Economies:						
Gross Cost	$ -	$ -	$ -	$ -	$ 18	$ 32
Less: Earned Revenue	-	-	-	-	-	20
Net Cost	-	-	-	-	18	12
Enhance the Competitiveness and Sustainability of Rural and Farm Economies:						
Gross Cost	195	1,046	-	-	17	30
Less: Earned Revenue	9	194	-	-	-	19
Net Cost	186	852	-	-	17	11
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's						
Agriculture and Food Supply:	-	-	309	1,132	-	-
Gross Cost	-	-	131	555	-	-
Less: Earned Revenue	-	-	178	577	-	-
Net Cost						
Improve the Nation's Nutrition and Health:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Total Gross Costs	195	1,046	309	1,132	35	62
Less: Total Earned Revenues	9	194	131	555	-	39
Net Cost of Operations	$ 186	$ 852	$ 178	$ 577	$ 35	$ 23

FY 2007	FS		NRCS		ARS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Enhance International Competitiveness and the Sustainability of Rural and Farm Economies:						
Gross Cost	$ -	$ -	$ -	$ -	$ -	$ -
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Enhance the Competitiveness and Sustainability of Rural and Farm Economies:						
Gross Cost	-	-	-	-	85	397
Less: Earned Revenue	-	-	-	-	29	12
Net Cost	-	-	-	-	56	385
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Cost	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's						
Agriculture and Food Supply:	-	-	-	-	82	386
Gross Cost	-	-	-	-	28	11
Less: Earned Revenue	-	-	-	-	54	375
Net Cost						
Improve the Nation's Nutrition and Health:						
Gross Cost	-	-	-	-	18	88
Less: Earned Revenue	-	-	-	-	6	3
Net Cost	-	-	-	-	12	85
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Cost	1,203	5,112	515	2,636	49	232
Less: Earned Revenue	143	455	60	93	17	7
Net Cost	1,060	4,657	455	2,543	32	225
Total Gross Costs	1,203	5,112	515	2,636	234	1,103
Less: Total Earned Revenues	143	455	60	93	80	33
Net Cost of Operations	$ 1,060	$ 4,657	$ 455	$ 2,543	$ 154	$ 1,070

FY 2007	CSREES		ERS		NASS	
	Intragovernmental	**With the Public**	**Intragovernmental**	**With the Public**	**Intragovernmental**	**With the Public**
Enhance International Competitiveness and the Sustainability of Rural and Farm Economies:						
Gross Cost	$ -	$ 5	$ 6	$ 10	$ -	$ -
Less: Earned Revenue	-	-	-	-	-	-
Net Cost	-	5	6	10	-	-
Enhance the Competitiveness and Sustainability of Rural and Farm Economies:						
Gross Cost	12	541	11	18	37	93
Less: Earned Revenue	12	-	-	-	15	3
Net Cost	-	541	11	18	22	90
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Cost	5	231	2	4	13	33
Less: Earned Revenue	6	-	-	-	5	1
Net Cost	(1)	231	2	4	8	32
Enhance Protection and Safety of the Nation's						
Agriculture and Food Supply:	6	276	2	3	1	2
Gross Cost	7	-	-	-	-	-
Less: Earned Revenue	(1)	276	2	3	1	2
Net Cost						
Improve the Nation's Nutrition and Health:						
Gross Cost	4	182	7	12	-	-
Less: Earned Revenue	5	-	-	-	-	-
Net Cost	(1)	182	7	12	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Cost	5	248	3	5	1	4
Less: Earned Revenue	6	-	-	-	1	-
Net Cost	(1)	248	3	5	-	4
Total Gross Costs	32	1,483	31	52	52	132
Less: Total Earned Revenues	36	-	-	-	21	4
Net Cost of Operations	$ (4)	$ 1,483	$ 31	$ 52	$ 31	$ 128

FY 2007	RD		DO		TOTAL	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Enhance International Competitiveness and						
the Sustainability of Rural and Farm Economies:						
Gross Cost	$ -	$ -	$ 14	$ 24	$ 281	$ 1,898
Less: Earned Revenue	-	-	20	-	446	208
Net Cost	-	-	(6)	24	(165)	1,690
Enhance the Competitiveness and Sustainability						
of Rural and Farm Economies:						
Gross Cost	-	-	152	278	2,963	20,043
Less: Earned Revenue	-	-	213	3	512	6,135
Net Cost	-	-	(61)	275	2,451	13,908
Support Increased Economic Opportunities and						
Improved Quality of Life in Rural America:						
Gross Cost	4,120	2,561	50	93	4,190	2,922
Less: Earned Revenue	314	4,431	71	1	396	4,433
Net Cost	3,806	(1,870)	(21)	92	3,794	(1,511)
Enhance Protection and Safety of the Nation's						
Agriculture and Food Supply:	-	-	70	128	745	2,717
Gross Cost	-	-	98	1	266	715
Less: Earned Revenue	-	-	(28)	127	479	2,002
Net Cost						
Improve the Nation's Nutrition and Health:						
Gross Cost	-	-	48	88	915	53,879
Less: Earned Revenue	-	-	69	-	82	25
Net Cost	-	-	(21)	88	833	53,854
Protect and Enhance the Nation's Natural Resource						
Base and Environment:						
Gross Cost	-	-	88	162	2,109	10,312
Less: Earned Revenue	-	-	123	2	350	558
Net Cost	-	-	(35)	160	1,759	9,754
Total Gross Costs	4,120	2,561	422	773	11,203	91,771
Less: Total Earned Revenues	314	4,431	594	7	2,052	12,074
Net Cost of Operations	$ 3,806	$ (1,870)	$ (172)	$ 766	$ 9,151	$ 79,697

FY 2007	Intradepartmental Eliminations	GRAND TOTAL
Enhance International Competitiveness and		
the Sustainability of Rural and Farm Economies:		
Gross Cost	$ (80)	$ 2,099
Less: Earned Revenue	(39)	615
Net Cost	(41)	1,484
Enhance the Competitiveness and Sustainability		
of Rural and Farm Economies:		
Gross Cost	(1,582)	21,424
Less: Earned Revenue	(322)	6,325
Net Cost	(1,260)	15,099
Support Increased Economic Opportunities and		
Improved Quality of Life in Rural America:		
Gross Cost	(160)	6,952
Less: Earned Revenue	(79)	4,750
Net Cost	(81)	2,202
Enhance Protection and Safety of the Nation's		
Agriculture and Food Supply:	(191)	3,271
Gross Cost	(219)	762
Less: Earned Revenue	28	2,509
Net Cost		
Improve the Nation's Nutrition and Health:		
Gross Cost	(803)	53,991
Less: Earned Revenue	(64)	43
Net Cost	(739)	53,948
Protect and Enhance the Nation's Natural Resource		
Base and Environment:		
Gross Cost	(597)	11,824
Less: Earned Revenue	(163)	745
Net Cost	(434)	11,079
Total Gross Costs	(3,413)	99,561
Less: Total Earned Revenues	(886)	13,240
Net Cost of Operations	$ (2,527)	$ 86,321

Note 20. Cost of Stewardship PP&E

The acquisition cost of stewardship land in FY 2008 and FY 2007 was $228 million and $236 million, respectively.

Note 21. Apportionment Categories of Obligations Incurred

FY 2008

	Direct	Reimbursable	Total
Apportionment by Fiscal Quarter	$ 66,732	$ 639	$ 67,371
Apportionment for Special Activities	45,431	25,593	71,024
Exempt from Apportionment	961	1	962
Total Obligations Incurred	$ 113,124	$ 26,233	$ 139,357

FY 2007

	Direct	Reimbursable	Total
Apportionment by Fiscal Quarter	$ 69,018	$ 932	$ 69,950
Apportionment for Special Activities	28,400	29,573	57,973
Exempt from Apportionment	1,023	8	1,031
Total Obligations Incurred	$ 98,441	$ 30,513	$ 128,954

Note 22. Available Borrowing Authority, End of Period

Available borrowing authority at September 30, 2008 and 2007 was $29,369 million and $28,899 million, respectively.

Note 23. Terms of Borrowing Authority Used

The Secretary of Agriculture has the authority to make and issue notes to the Secretary of Treasury for the purpose of discharging obligations for RD's insurance funds and CCC's nonreimbursed realized losses and debt related to foreign assistance programs. The permanent indefinite borrowing authority includes both interest bearing and non–interest bearing notes. These notes are drawn upon daily when disbursements exceed deposits. Notes payable under the permanent indefinite borrowing authority have a term of one year. On January 1 of each year, USDA refinances its outstanding borrowings, including accrued interest, at the January borrowing rate.

In addition, USDA has permanent indefinite borrowing authority for the foreign assistance and export credit programs to finance disbursements on post-credit reform, direct credit obligations, and credit guarantees. In accordance with the Federal Credit Reform Act of 1990 as amended, USDA borrows from Treasury on October 1, for the entire fiscal year, based on annual estimates of the difference between the amount appropriated (subsidy) and the amount to be disbursed to the borrower. Repayment under this agreement may be, in whole or in part, prior to maturity by paying the principal amount of the borrowings plus accrued interest to the date of repayment. Interest is paid on these borrowings based on weighted average interest rates for the cohort, to which the borrowings are associated. Interest is earned on the daily balance of uninvested funds in the credit reform financing funds maintained at Treasury. The interest income is used to reduce interest expense on the underlying borrowings.

USDA has authority to borrow from the Federal Financing Bank (FFB) in the form of Certificates of Beneficial Ownership (CBO) or loans executed directly between the borrower and FFB with an unconditional USDA repayment guarantee. CBO's outstanding with the FFB are generally secured by unpaid loan principal balances. CBO's outstanding are related to pre-credit reform loans and no longer are used for program financing.

FFB's CBO's are repaid as they mature and are not related to any particular group of loans. Borrowings made to finance loans directly between the borrower and FFB mature and are repaid as the related group of loans become due. Interest rates on the related group of loans are equal to interest rates on FFB borrowings, except in those situations where an FFB funded loan is restructured and the terms of the loan are modified.

Prepayments can be made on Treasury borrowings without a penalty; however, they cannot be made on FFB CBO's, without a penalty.

Funds may also be borrowed from private lending agencies and others. USDA reserves a sufficient amount of its borrowing authority to purchase, at any time, all notes and other obligations evidencing loans made by agencies and others. All bonds, notes, debentures, and similar obligations issued by the Department are subject to approval by the Secretary of the Treasury. Reservation of borrowing authority for these purposes has not been required for many years.

Note 24. Permanent Indefinite Appropriations

USDA has permanent indefinite appropriations available to fund 1) subsidy costs incurred under credit reform programs, 2) certain costs of the crop insurance program, (3) certain commodity program costs and 4) certain costs associated with FS programs.

The permanent indefinite appropriations for credit reform are mainly available to finance any disbursements incurred under the liquidating accounts. These appropriations become available pursuant to standing provisions of law without further action by Congress after transmittal of the Budget for the year involved. They are treated as permanent the first year they become available, as well as in succeeding years. However, they are not stated as specific amounts but are determined by specified variable factors, such as cash needs for liquidating accounts, and information about the actual performance of a cohort or estimated changes in future cash flows of the cohort in the program accounts.

The permanent indefinite appropriation for the crop insurance program is used to cover premium subsidy, delivery expenses, losses in excess of premiums and research and delivery costs.

The permanent indefinite appropriation for commodity program costs is used to encourage the exportation of agricultural commodities and products, to encourage domestic consumption of agricultural products by diverting them, and to reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.

The permanent indefinite appropriation for FS programs is used to fund Recreation Fee Collection Costs, Brush Disposal, License programs, Smokey Bear and Woodsy Owl, Restoration of Forest Lands and Improvements, Roads and Trails for States, National Forest Fund, Timber Roads, Purchaser Elections, Timber Salvage Sales and Operations, and Maintenance of Quarters. Each of these permanent indefinite appropriations is funded by receipts made available by law, and is available until expended.

Note 25. Legal Arrangements Affecting Use of Unobligated Balances

Unobligated budget authority is the difference between the obligated balance and the total unexpended balance. It represents that portion of the unexpended balance unencumbered by recorded obligations. Appropriations are provided on an annual, multi-year, and no-year basis. An appropriation expires on the last day of its period of availability and is no longer available for new obligations. Unobligated balances retain their fiscal-year identity in an expired account for an additional five fiscal years. The unobligated balance remains available to make legitimate obligation adjustments, i.e., to record previously unrecorded obligations and to make upward adjustments in previously underestimated obligations for five years. At the end of the fifth year, the authority is canceled. Thereafter, the authority is not available for any purpose.

Any information about legal arrangements affecting the use of the unobligated balance of budget authority is specifically stated by program and fiscal year in the appropriation language or in the alternative provisions section at the end of the appropriations act.

Note 26. Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

The differences between the fiscal 2007 Statement of Budgetary Resources and the fiscal 2007 actual numbers presented in the fiscal 2009 Budget of the United States Government (Budget) are summarized below.

The Budget excludes expired accounts that are no longer available for new obligations. Adjustments were made subsequent to the Budget submission as follows:

AMS returned to Treasury Section 32 funds in excess of its authorized funding level and reduced obligations for disaster relief.

Unavailable collections for the Native American Institution Endowment Fund were included as budgetary resources in the Statement of Budgetary Resources.

The Budget includes the Milk Market Orders Assessment Fund since employees of the Milk Market Administrators participate in the Federal retirement system, though these funds are not available for use by the Department.

Other items mainly consist of balances in suspense accounts and differences due to rounding that are excluded from the Budget.

A comparison between the fiscal 2008 Statement of Budgetary Resources and the fiscal 2008 actual numbers presented in the fiscal 2010 Budget cannot be performed as the fiscal 2010 Budget is not yet available. The fiscal 2010 Budget is expected to be published in February 2009 and will be available from the Government Printing Office.

FY 2007

	Budgetary Resources	Obligations incurred	Distributed offsetting receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 161,918	$ 128,954	$ 1,767	$ 89,950
Reconciling items:				
Expired accounts	(10,657)	(1,008)	-	-
Adjustment - AMS	89	9	-	-
Native American Institutions	(5)	(3)	-	-
Milk Market Orders Fund	49	49	-	-
Other	(2)	(6)	6	(7)
Budget of the United States Government	$ 151,392	$ 127,995	$ 1,773	$ 89,943

Note 27. Undelivered Orders at the End of the Period

Budgetary resources obligated for undelivered orders as of September 30, 2008 and 2007 was $37,794 million and $35,851 million, respectively.

NOTE 28. INCIDENTAL CUSTODIAL COLLECTIONS

Custodial collections represent National Forest Fund receipts from the sale of timber and other forest products, miscellaneous general fund receipts such as collections on accounts receivable related to canceled year appropriations, civil monetary penalties and interest, and commercial fines and penalties. Custodial collection activities are considered immaterial and incidental to the mission of the Department.

Revenue Activity:	FY 2008	FY 2007
Sources of Collections:		
Miscellaneous	$ 83	$ 75
Total Cash Collections	83	75
Accrual Adjustments	-	(4)
Total Custodial Revenue	83	71
Disposition of Collections:		
Transferred to Others:		
Treasury	(15)	(63)
(Increase)/Decrease in Amounts Yet to be Transferred	(68)	(8)
Net Custodial Activity	$ -	$ -

Note 29. Reconciliation of Budgetary Resources Obligated to Net Cost of Operations

Budgetary and proprietary accounting information are inherently different because of the types of information and the timing of their recognition. The reconciliation of budgetary resources obligated and the net cost of operations provides a link between budgetary and proprietary accounting information. It serves not only to explain how information on net obligations relates to the net cost of operations but also to assure integrity between budgetary and proprietary accounting.

Net obligations and the net cost of operations are different because (1) the net cost of operations may be financed by non-budgetary resources (e.g. imputed financing); (2) the budgetary and non-budgetary resources used may finance activities which are not components of the net cost of operations; and (3) the net cost of operations may contain components which do not use or generate resources in the current period.

	2008	2007
Resources Used to Finance Activities:		
Budgetary Resources Obligated -		
Obligations Incurred	$ 139,357	$ 128,954
Less: Spending authority from offsetting collections and recoveries	38,542	39,094
Obligations net of offsetting collections and recoveries	100,815	89,860
Less: Distributed Offsetting receipts	2,242	1,767
Net Obligations	98,573	88,093
Other Resources -		
Transfers in(out) without reimbursement	(391)	(460)
Imputed financing from costs absorbed by others	907	1,005
Other	52	4
Net other resources used to finance activities	568	549
Total resources used to finance activities	99,141	88,642
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in undelivered orders	(1,926)	501
Resources that fund expenses recognized in prior periods	(144)	(649)
Budgetary offsetting collections and receipts that do not affect net cost of operations -		
Credit program collections which increase liabilities for loan guarantees or allowances for subsidy	13,357	13,534
Change in Unfilled Customer Orders	77	967
Decrease in exchange revenue receivable from public	7,625	6,810
Other	1,024	(287)
Resources that finance the acquisition of assets	(24,997)	(27,000)
Other resources or adjustments to net obligated resources that do not affect net cost of operations	(194)	(1,412)
Total resources used to finance items not part of the net cost of operations	(5,178)	(7,536)
Total resources used to finance the net cost of operations	93,963	81,106
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods -		
Increase in annual leave liability	25	3
Increase in environmental and disposal liability	-	44
Upward/Downward reestimates of credit subsidy expense	608	(293)
Increase in exchange revenue receivable from the public	-	-
Other	1,633	926
Total components of Net Cost of Operations that will require or generate resources in future periods	2,266	680
Components not Requiring or Generating Resources -		
Depreciation and amortization	408	433
Revaluation of assets or liabilities	(134)	(176)
Other Components not Requiring or Generating Resources:		
Bad Debt Expense	(753)	(1,256)
Cost of Goods Sold	1,047	5,413
Other	(64)	121
Total components of Net Cost of Operations that will not require or generate resources	504	4,535
Total components of Net Cost of Operations that will not require or generate resources in the current period	2,770	5,215
Net Cost of Operations	$ 96,733	$ 86,321

Note 30. Changes In Accounting Principles

The Department of Homeland Security (DHS) deposits 30% of customs duties collected into an unavailable receipt account. AMS receives an amount annually from this account in accordance with 7 USC 612c to encourage exportation and domestic consumption of agricultural products. Responsibility for the unavailable receipt account had been assigned to DHS in the Governmentwide Accounting (GWA) system. Treasury and OMB decided that AMS should be assigned responsibility for the unavailable receipt account to improve governmentwide reporting.

Accordingly, the GWA was changed effective October 1, 2007. Consequently, the cumulative effect of this change on prior periods increased the beginning balance of Cumulative Results of Operations by $13,621 million.

Effective October 1, 2007, the FS implemented a voluntary change in accounting principle to reclassify its road prism assets from General PP&E to Stewardship PP&E. This change removes the capitalized road prism assets, with a net book value of $2,085 million as of September 30, 2007, from the Balance Sheet as reflected in the adjustment to the FY 2008 beginning balance of Cumulative Results of Operations in the Statement of Changes in Net Position. This change was adopted to more accurately reflect the stewardship nature of these assets, consistent with other federal land management agencies.

Effective for FY 2007, OMB Circular A-136, requires the parent to report all budgetary and proprietary allocation transfer activity in its financial statements, whether material to the child, or not. Adjustments of $961 million to the beginning balance of Cumulative Results of Operations and negative $209 million to the beginning balance of Unexpended Appropriations reflected in the Statement of Changes in Net Position were made to comply with reporting requirements for allocation transfers.

Required Supplementary Stewardship Information

Stewardship Investments (Unaudited)

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation but are not physical assets owned by the Federal Government. When incurred, they are treated as expenses in determining the net cost of operations. However, these items merit special treatment so that users of Federal financial reports know the extent of investments that are made for long-term benefit. Such investments are measured in terms of expenses incurred for non-federal physical property, human capital, and research and development.

Stewardship Investments (in millions)

	FY 2008 Expense	FY 2007 Expense	FY 2006 Expense	FY 2005 Expense	FY 2004 Expense
Non-Federal Physical Property:					
Food and Nutrition Service					
Food Stamp Program	$ 32	$ 20	$ 21	$ 22	$ 36
Special Supplemental Nutrition Program	10	15	12	17	8
Cooperative State Research, Education, and Extension Service					
Extension 1890 Facilities Program	17	17	17	17	15
Total Non-Federal Property	$ 59	$ 52	$ 50	$ 56	$ 59
Human Capital:					
Cooperative State Research, Education, and Extension Service					
Higher Education and Extension Programs	$ 521	$ 524	$ 525	$ 507	$ 502
Food and Nutrition Service					
Food Stamp Program	36	51	66	49	75
Agricultural Research Service					
National Agricultural Library	22	22	22	21	21
Risk Management Agency					
Risk Management Education	10	11	10	10	7
Total Human Capital	$ 589	$ 608	$ 623	$ 587	$ 605
Research and Development:					
Agricultural Research Service					
Human Nutrition	85	86	85	84	83
Collaborative Research Program	4	3	7	6	5
Product Quality/Value Added	105	106	107	105	104
Livestock Production	85	85	85	84	82
Crop Production	201	202	201	197	194
Food Safety	104	105	105	103	96
Livestock Protection	82	83	90	78	64
Crop Protection	196	198	199	193	183
Environmental Stewardship	223	224	223	219	216
Homeland Security	-	-	-	-	21
Cooperative State Research, Education, and Extension Service					
Land-grant University System	663	661	661	645	610
Forest Service	304	261	318	295	312
Economic Research Service					
Economic and Social Science	77	75	75	74	71
National Agricultural Statistics Service					
Statistical	8	6	5	5	5
Total Research and Development	$ 2,137	$ 2,095	$ 2,161	$ 2,088	$ 2,046

Non-Federal Physical Property

Food and Nutrition Service

FNS' non-Federal physical property consists of computer systems and other equipment obtained by State and local governments for the purpose of administering the Food Stamp Program. The total Food Stamp Program Expense for ADP Equipment & Systems has been reported as of the date of FNS' financial statements. FNS' non-Federal physical property also consists of computer systems and other equipment obtained by the State and local governments for the purpose of administering the Special Supplemental Nutrition Program for Women, Infants and Children.

Cooperative State Research, Education and Extension Service

The Extension 1890 facilities program supports the renovation of existing buildings and the construction of new facilities that permit faculty, students, and communities to benefit fully from the partnership between USDA and the historically African-American land-grant universities.

Human Capital

Cooperative State Research, Education and Extension Service

The Higher Education programs include graduate fellowship grants, competitive challenge grants, Secondary/2-year Post Secondary grants, Hispanic serving institutions education grants, a multicultural scholars program, a Native American institutions program, a Native American institutions endowment fund, an Alaska Native Serving and Native Hawaiian Serving institutions program, a resident instruction grant program for insular areas, and a capacity building program at the 1890 institutions. These programs enable universities to broaden their curricula, increase faculty development and student research projects, and increase the number of new scholars recruited in the food and agriculture sciences. CSREES also supports extension-related work at 1862 and 1890 land-grant institutions throughout the country through formula and competitive programs. CSREES supported the Outreach and Assistance for Disadvantaged Farmers Program for the first time in fiscal 2003. The purpose is to enhance the ability of minority and small farmers and ranchers to operate farming or ranching enterprises independently to assure adequate income and maintain reasonable lifestyles.

Food and Nutrition Service

FNS' human capital consists of employment and training (E&T) for the Food Stamp Program. The E&T program requires recipients of food stamp benefits to participate in an employment and training program as a condition to food stamp eligibility.

Outcome data for the E&T program is only available through the third quarter. As of this period, FNS' E&T program has placed 779,173 work registrants subject to the 3 - month Food Stamp Program participant limit and 1,318,019 work registrants not subject to the limit in either job-search, job-training, job-workfare, education, or work experience.

Agricultural Research Service

As the Nation's primary source for agricultural information, the National Agricultural Library (NAL) has a mission to increase the availability and utilization of agricultural information for researchers, educators, policymakers, consumers of agricultural products, and the public. The NAL is one of the world's largest and most accessible agricultural research libraries and plays a vital role in supporting research, education, and applied agriculture.

The NAL was created as the departmental library for USDA in 1862 and became a national library in 1962. One of four national libraries of the U.S. (with the Library of Congress, the National Library of Medicine, and the National Library of Education), it is also the coordinator for a national network of State land-grant and USDA field libraries. In its international role, the NAL serves as the U.S. center for the international agricultural information system, coordinating and sharing resources and enhancing global access to agricultural data. The NAL collection of over 3.5 million items and its leadership role in information services and technology applications combine to make it the foremost agricultural library in the world.

Risk Management Agency

In response to the Secretary's 1996 Risk Management Education (RME) initiative, and as mandated by the Federal Agricultural Improvement and Reform Act of 1996, the FCIC has formed new partnerships with the CSREES, the Commodity Futures Trading Commission, the USDA National Office of Outreach, Economic Research Service, and private industry to leverage the federal government's funding of its RME program by using both public and private organizations to help educate their members in agricultural risk management. The RME effort was launched in 1997 with a Risk Management Education Summit that raised awareness of the tools and resources needed by farmers and ranchers to manage their risks. RMA has built on this foundation since 2003 by expanding State and Regional education partnerships; encouraging the development of information and technology decision aids; supporting the National Future Farmers of America (FFA) foundation with an annual essay contest; facilitating local training workshops; and supporting Cooperative Agreements with Educational and outreach organizations.

During fiscal years 2008 and 2007, the RME worked toward the goals by funding risk management sessions, most of which targeted producers directly. The number of producers reached through these sessions is approximately 49,000 in fiscal years 2008 and 2007. Additionally, some training sessions helped those who work with producers, such as lenders, agricultural educators, and crop insurance agents, better understand those areas of risk management with which they may be unfamiliar. Total RME obligations incurred by the FCIC were approximately $10 million for fiscal year 2008 and $11 million for fiscal year 2007. The following table summarizes the RME initiatives since fiscal year 2004:

(dollars in millions)		2008	2007	2006	2005	2004
RME Obligations	$	10	11	10	9.4	10
Number of producers attending RME sessions		49,000	49,000	48,000	47,000	46,000

One of the directives of the Agricultural Risk Protection Act (ARPA) is to step up the FCIC's educational and outreach efforts in certain areas of the country that have been historically underserved by the Federal crop insurance program. The Secretary determined that fifteen states met the underserved criteria. These states are Maine, Massachusetts, Connecticut, Wyoming, New Jersey, New York, Delaware, Nevada, Pennsylvania, Vermont, Maryland, Utah, Rhode Island, New Hampshire, and West Virginia.

Natural Resources Conservation Service

The Agency's investment in human capital is expensed each year and is primarily for education and training programs intended to (1) increase or maintain national economic productive capacity and (2) produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity.

As the Nation's conservation agenda continues to become more complex, the need for technical information and advice will increasingly exceed the capacity of the Federal workforce to respond timely. NRCS is expanding the capacity of its workforce through three strategies:

1. Relying on the non-Federal entities to provide technical assistance to participants in NRCS conservation programs. Under authority of the 2002 Farm Bill, NRCS established processes to certify individual Technical Service Providers (TSP's) and to enter into agreements with governmental and non-governmental entities to provide services. In FY 2008 NRCS signed agreements or renewed the certification of 375 individual TSP's and 35 Business TSP's. There are now more that 1100 individual TSP's and 102 businesses certified and available to help program participants apply conservation. Since passage of the 2002 Farm Bill, NRCS has obligated over $248 million to acquire technical service. Web-based orientations and proficiency statements have been developed to help ensure that TSP's have the necessary technical competencies to carry out the Agency's programs.

2. Acquiring the services of experienced workers on a temporary basis. NRCS is acquiring the expertise of older workers through the Agricultural Conservation Enrollees/Seniors (ACES) project conducted in partnership with the National Older Worker Career Center. This project evolved from and complements the TSP initiative to leverage conservation technical assistance capacity and help landowners meet

conservation goals. NRCS has filled 300 ACES positions across the country including 260 at the field level.

3. Using the time, talent, and energy of volunteers. Since the organization of local conservation districts in the 1930's people have volunteered their time and talent to help get conservation on the land. In 1981, using new authority enacted by Congress, NRCS established the National Volunteer Program. In 1985, that program became the Earth Team. During 2008, over 70,000 Earth Team Volunteers donated over 1 million hours. Their time was valued at $19 million.

Research and Development

Agricultural Research Service

The ARS mission is to conduct research to develop and transfer solutions to agricultural problems of high national priority and provide information access and dissemination to: ensure high quality, safe food, and other agricultural products; assess the nutritional needs of Americans; sustain a competitive agricultural economy; enhance the natural resource base and the environment; and provide economic opportunities for rural citizens, communities, and society as a whole.

ARS has revised its Strategic Plan to align it with the Department's new Strategic Plan. ARS' major program areas are being aligned as follows:

GOAL: Enhance the Competitiveness and Sustainability of Rural and Farm Economies.

Product Quality/Value Added—Many agricultural products are marketed as low value commodities and harvested commodities often suffer losses due to spoilage or damage during shipping, storage, and handling. Healthy foods are often not convenient and/or are not widely accepted by many consumers. Biobased products represent a small fraction of the market for industrial products and their performance is often uncertain. Biofuels and some biobased products are not yet economically competitive with petroleum-based products.

ARS has active research programs directed toward: 1) improving the efficiency and reducing the cost for the conversion of agricultural products into biobased products and biofuels; 2) developing new and improved products to help establish them in domestic and foreign markets; and 3) providing higher quality, healthy foods that satisfy consumer needs in the United States and abroad.

Livestock Production—ARS' livestock production program is directed toward: 1) safeguarding and utilizing animal genetic resources, associated genetic and genomic databases, and bioinformatic tools; 2) developing a basic understanding of the physiology of livestock and poultry; and 3) developing information, tools, and technologies that can be used to improve animal production systems. The research is heavily focused on the development and application of genomics technologies to increase the efficiency and product quality of beef, dairy, swine, poultry, aquaculture, and sheep systems.

Current areas of emphasis include increasing efficiency of nutrient utilization; increasing animal well-being and reducing stress in production systems; increasing reproductive rates and breeding animal longevity; developing and evaluating non-traditional production systems (e.g., organic, natural); and evaluating and conserving animal genetic resources.

Crop Production—ARS' crop production program focuses on developing and improving ways to reduce crop losses while protecting and ensuring a safe and affordable food supply. The research program concentrates on effective production strategies that are environmentally friendly, safe to consumers, and compatible with sustainable and profitable crop production systems. Research activities are directed at safeguarding and utilizing plant genetic resources and its associated genetic, genomic, and bioinformatic databases that facilitate selection of varieties and/or germplasm with significantly improved traits.

Current research activities attempt to minimize the impacts of crop pests while maintaining healthy crops and safe commodities that can be sold in markets throughout the world. ARS is conducting research to: discover and exploit naturally occurring and engineered genetic mechanisms for plant pest control; develop agronomic germplasm with durable defensive traits; and transfer genetic resources for commercial use. ARS is also providing taxonomic information on invasive species that strengthen prevention techniques, aid in detection/identification of invasives, and increase control through management tactics which restore habitats and biological diversity.

GOAL: Enhance Protection and Safety of the Nation's Agriculture and Food Supply.

Food Safety—Assuring that the United States has the highest levels of affordable, safe food requires that the food system be protected at each stage from production through processing and consumption from pathogens, toxins, and chemical contaminants that cause diseases in humans. The U.S. food supply is very diverse, extensive, easily accessible, and thus vulnerable to the introduction of biological and chemical contaminants through natural processes, intentional means, or by global commerce.

ARS' current food safety research is designed to yield science-based knowledge on the safe production, storage, processing, and handling of plant and animal products, and on the detection and control of toxin producing and/or pathogenic bacteria and fungi, parasites, chemical contaminants, and plant toxins. ARS' research activities involve a high degree of cooperation and collaboration both within the USDA-REE agencies as well as with USDA's Food Safety and Inspection Service and the Animal and Plant Health Inspection Service, and with other entities, including the Food and Drug Administration, the Centers for Disease Control, the Department of Homeland Security, and the Environmental Protection Agency. ARS also collaborates in international research programs to address and resolve global food safety issues.

Specific research efforts are directed toward developing new technologies that assist ARS stakeholders and customers, that is, regulatory agencies, industry, and commodity and consumer organizations in detecting, identifying, and controlling foodborne diseases that affect human health.

Livestock Protection—ARS' animal health program is directed at protecting and ensuring the safety of the Nation's agriculture and food supply through improved disease detection, prevention, control, and treatment. Basic and applied research approaches are used to solve animal health problems of high national priority. Emphasis is given to methods and procedures to control animal diseases.

The research program has ten strategic objectives: 1) establish ARS' laboratories into a fluid, highly effective research network to maximize use of core competencies and resources; 2) access specialized high containment facilities to study zoonotic and emerging diseases; 3) develop an integrated animal and microbial genomics research program; 4) establish centers of excellence in animal immunology; 5) launch a biotherapeutic discovery program providing alternatives to animal drugs; 6) build a technology driven vaccine and diagnostic discovery research program; 7) develop core competencies in field epidemiology and predictive biology; 8) develop internationally recognized expert collaborative research laboratories; 9) establish a best in class training center for our Nation's veterinarians and scientists; and 10) develop a model technology transfer program to achieve the full impact of ARS' research discoveries.

ARS' current animal research program includes eight core components: 1) biodefense research, 2) animal genomics and immunology, 3) zoonotic diseases, 4) respiratory diseases, 5) reproductive and neonatal diseases, 6) enteric diseases, 7) parasitic diseases, and 8) transmissible spongiform encephalopathies.

Crop Production—ARS research on crop protection is directed toward epidemiological investigations to understand pest and disease transmission mechanisms, and to identify and apply new technologies that increase our understanding of virulence factors and host defense mechanisms.

Currently, ARS' research priorities include: 1) identification of genes that convey virulence traits in pathogens and pests; 2) factors that modulate infectivity, gene functions, and mechanisms; 3) genetic profiles that provide specified levels of disease and insect resistance under field conditions; and 4) mechanisms that facilitate the spread of pests and infectious diseases.

ARS is developing new knowledge and integrated pest management approaches to control pest and disease outbreaks as they occur. Its research will improve the knowledge and understanding of the ecology, physiology, epidemiology, and molecular biology of emerging diseases and pests. This knowledge will be incorporated into pest risk assessments and management strategies to minimize chemical inputs and increase production. Strategies and approaches will be available to producers to control emerging crop diseases and pest outbreaks

GOAL: Improve the Nation's Nutrition and Health.

Human Nutrition—Maintenance of health throughout the lifespan along with prevention of obesity and chronic diseases via food-based recommendations are the major emphases of ARS' human nutrition research program. These health related goals are based on the knowledge that deficiency diseases are no longer the most important public health concerns. Excessive consumption has become the primary nutrition problem in the American population. This is reflected by increased emphasis on prevention of obesity from basic science through intervention studies to assessments of large populations. ARS' research programs also actively study bioactive components of foods that have no known requirement but have health promoting activities.

Four specific areas of research are currently emphasized: 1) nutrition monitoring and the food supply, e.g., a national diet survey and the food composition databank; 2) dietary guidance for health promotion and disease prevention, i.e., specific foods, nutrients, and dietary patterns that maintain health and prevent disease; 3) prevention of obesity and related diseases, including research as to why so few of the population do not follow the *Dietary Guidelines for Americans*; and 4) life stage nutrition and metabolism, in order to better define the role of nutrition in pregnancy, growth of children, and for healthier aging.

GOAL: Protect and Enhance the Nation's Natural Resource Base and Environment.

Environmental Stewardship—ARS' research programs in environmental stewardship support scientists at seventy locations. Emphasis is given to developing technologies and systems that support profitable production and enhance the Nation's vast renewable natural resource base.

ARS is currently developing the scientific knowledge and technologies needed to meet the challenges and opportunities facing U.S. agriculture in managing water resource quality and quantity under different climatic regimes, production systems, and environmental conditions. ARS' air resources research is developing measurement, prediction, and control technologies for emissions of greenhouse gases, particulate matter, ammonia, hydrogen sulfide, and volatile organic compounds affecting air quality and land-surface climate interactions. The agency is a leader in developing measurement and modeling techniques for characterizing gaseous and particulate matter emissions from agriculture. In addition, ARS is evaluating strategies for enhancing the health and productivity of soils, including developing predictive tools to assess the sustainability of alternative land management practices. Finding mechanisms to aid agriculture in adapting to changes in atmospheric composition and climatic variations are also important components of ARS' research program.

ARS' grazing and range land research includes the conservation and restoration of the Nation's range land and pasture ecosystems and agroecosystems through improved management of fire, invasive weeds, grazing, global change, and other agents of ecological change. ARS is currently developing improved grass and forage legume germplasm for livestock, conservation, bioenergy, and bioproduct systems as well as grazing-based livestock systems that reduce risk and increase profitability. In addition, the agency is developing whole system management strategies to reduce production costs and risks.

Management Initiative—Provide Agricultural Library and Information Services to USDA and the Nation via the National Agricultural Library.

As the Nation's primary source for agricultural information, the National Agricultural Library (NAL) has a mission to increase the availability and utilization of agricultural information for researchers, educators, policymakers, consumers of agricultural products, and the public. The NAL is one of the world's largest and most accessible agricultural research libraries and plays a vital role in supporting research, education, and applied agriculture.

The NAL was created as the departmental library for USDA in 1862 and became a national library in 1962. One of four national libraries of the U.S. (with the Library of Congress, the National Library of Medicine, and the National Library of Education), it is also the coordinator for a national network of State land-grant and USDA field libraries. In its international role, the NAL serves as the U.S. center for the international agricultural information system, coordinating and sharing resources and enhancing global access to agricultural data.

The Library delivered 90 million direct customer service transactions in FY 2008. Recently, NAL, with partners in the land-grant university and agricultural information service communities, has initiated development of the National Digital Library for Agriculture (NDLA). Specific efforts are directed toward achieving two goals: 1) continuing to meet the needs of its customers, and 2) implementing the NDLA.

Management Initiative—Provide Adequate Federal Facilities Required to Support the Research Mission of ARS.

ARS has over 100 laboratories, primarily located throughout the United States. ARS' facilities program is designed to meet the needs of its scientists and support personnel to accomplish the agency's mission.

Cooperative State Research, Education, and Extension Service Program

CSREES participates in a nationwide land-grant university system of agriculture related research and program planning and coordination between State institutions and USDA. It assists in maintaining cooperation among the State institutions, and between the State institutions and their Federal research partners. CSREES administers grants and formula payments to State institutions to supplement State and local funding for agriculture research.

Forest Service

FS Research and Development (R&D) provides reliable, science-based information that is incorporated into natural resource decision making. Efforts consist of developing new technology and then adapting and transferring this technology to facilitate more effective resource management. Some major research areas include the following:

- Fire
- Invasives
- Recreation
- Research Management and Use
- Water and Air
- Fish and Wildlife
- Research Data and Analysis

Research staff is involved in all areas of the FS, supporting agency goals by providing more efficient and effective methods where applicable.

A representative summary of FY 2008 accomplishments include the following:

- 40 new interagency agreements and contracts
- 12 interagency agreements and contracts continued
- 1,903 articles published in journals
- 1,487 articles published in all other publications
- 6 patents granted
- 1 patent licenses executed

Economic Research Service

ERS provides economic and other social science research and analysis for public and private decisions on agriculture, food, natural resources, and rural America. Research results and economic indicators on these important issues are fully disseminated through published and electronic reports and articles; special staff analyses, briefings, presentations, and papers; databases; and individual contacts. ERS' objective information and analysis helps public and private decision makers attain the goals that promote agricultural competitiveness, food safety and security, a well-nourished population, environmental quality, and a sustainable rural economy.

National Agricultural Statistics Service

Statistical research and service is conducted to improve the statistical methods and related technologies used in developing U.S. agricultural statistics. The highest priority of the research agenda is to aid the NASS estimation program through development of better estimators at lower cost and with less respondent burden. This means greater efficiency in sampling and data collection coupled with higher quality data upon which to base the official estimates. In addition, new products for data users are being developed with the use of technologies such as remote sensing and geographic information systems. Continued service to users will be increasingly dependent upon methodological and technological efficiencies.

Required Supplementary Information

Stewardship Property, Plant and Equipment (Unaudited)

In accordance with SFFAS 29, physical units added and withdrawn during the year, and a description of the methods of acquisition and withdrawal are classified as RSI for FY 2008. For reporting periods beginning after September 30, 2008, all information on heritage assets and stewardship land will be reported as basic information, except for condition information which is classified as RSI.

Heritage Assets

Acquisition and Withdrawal of Heritage Assets

The FS generally does not construct heritage assets, although in some circumstances important site-structural components may be rehabilitated or reconstructed into viable historic properties to provide forest visitors with use and interpretation. Heritage assets may be acquired through the procurement process, but this rarely occurs. Normally, heritage assets are part of the land acquisition and inventory process. Withdrawal occurs through land exchange or natural disasters. Most additions occur through inventory activities where previously undocumented sites are discovered and added to the total. Although not technically additions—they already existed on NFS lands—they do represent an increased management responsibility commensurate with the spirit of "additions." For FY 2008 there were no additions or withdrawals of heritage asset sites.

Condition

The condition of FS heritage assets depends on the type of asset and varies from poor to fair.

Stewardship Land

Acquisition and Withdrawal of Stewardship Lands

The Land and Water Conservation Fund (L&WCF) Land Acquisition Program acquires land for the National Forest System (NFS) of the FS. The program coordinates with a variety of partners, including State, local, and Tribal governments, and private landowners through statewide planning for development of a land-adjustment strategy.

The Land Acquisition Program preserves, develops, and maintains access to NFS lands and waters for the public and provides permanent access to public lands for recreation, commodity production, resource management, public safety, and community economic viability.

The L&WCF statutory authority specifically defines the purpose to also include protecting the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resource, archeological values as well as food and habitat for fish and wildlife, and managing the public lands for minerals, food, timber and fiber.

From these several allowable uses of program funding, the program concentrates on protecting habitat for priority species identified in the national forest and grassland's Land Management Plans (LMPs) and enhancing recreational opportunities for areas with high demand for recreation. The program focuses acquisitions on inholdings and areas adjacent to existing NFS lands. For FY 2008, there were no additions or withdrawals of stewardship land sites.

Condition

The condition of NFS lands varies by purpose and location. The FS monitors the condition of NFS lands based on information compiled by two national inventory and monitoring programs—Forest Inventory and Analysis (FIA) and Forest Health Monitoring (FHM).

The FIA program conducts annual inventories of forest status and trends. FIA has historic inventory data in all 50 States and is currently collecting annual inventory data in 47 States, including 39 of the 41 States containing NFS land. Active throughout all 50 States, FHM provides surveys and evaluations of forest health conditions and trends.

Although most of the estimated 193 million acres of NFS lands continue to produce valuable benefits (i.e., clean air, clean water, habitat for wildlife, and products for human use), significant portions are at risk to pest outbreaks or catastrophic fires. There are 25 million acres of NFS forestlands at risk to future mortality from insects and diseases, based on the 2007 Insect and Disease Risk Map. Invasive species of insects, diseases, and plants continue to affect our native ecosystems by causing mortality to, or displacement of, native vegetation. The FS completed insect and disease prevention and suppression treatments on over 53,000 acres of NFS lands in FY 2008.

	FY 2008	Additions	Withdrawals	FY 2007
Heritage Assets				
National Forests	155	-	-	155
National Grasslands	20	-	-	20
Other Sites	22	-	-	22
Research Centers	37	-	-	37
Library Collections	1	-	-	1
Total	235	-	-	235
Stewardship Land				
National Forests	155	-	-	155
National Grasslands	20	-	-	20
Research and Experimental Areas	3	-	-	3
National Preserves and Other Areas	3	-	-	3
Conservation Easements	10,431	712	-	9,719
Total	10,612	712	-	9,900

Deferred Maintenance (Unaudited)

Deferred maintenance is maintenance that was scheduled to be performed but was delayed until a future period. Deferred maintenance represents a cost that the Federal Government has elected not to fund and, therefore, the costs are not reflected in the financial statements.

Maintenance is defined to include preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable service and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to service needs different from, or significantly greater than, those originally intended.

Forest Service

FY 2008	Cost to Return to Acceptable Condition	Cost of Critical Maintenance	Cost of Non-critical Maintenance
Asset Class			
Bridges	$ 133	$ 28	$ 105
Buildings	712	117	595
Dam	24	9	15
Minor Constructed Features	102	-	102
Fence	301	301	-
Handling Facility	23	23	-
Heritage	16	5	11
Road	3,400	782	2,618
Trail Bridge	10	3	7
Wastewater	35	20	15
Water	103	60	43
Wildlife, Fish, TES	7	5	2
Trails	279	7	272
General Forest Area	-	-	-
Total Forest Service	$ 5,145	$ 1,360	$ 3,785

FY 2007	Cost to Return to Acceptable Condition	Cost of Critical Maintenance	Cost of Non-critical Maintenance
Asset Class			
Bridges	$ 123	$ 29	$ 94
Buildings	543	114	429
Dam	21	7	14
Minor Constructed Features	90	-	90
Fence	324	324	-
Handling Facility	23	23	-
Heritage	17	5	12
Road	8,134	3,675	4,459
Trail Bridge	9	3	6
Wastewater	32	17	15
Water	89	54	35
Wildlife, Fish, TES	6	4	2
Trails	224	2	222
General Forest Area	-	-	-
Total Forest Service	$ 9,635	$ 4,257	$ 5,378

Deferred maintenance is reported for general Property, Plant, and Equipment (PP&E), heritage assets, and stewardship assets. It is also reported separately for critical and noncritical amounts of maintenance needed to return each class of asset to its acceptable operating condition. Critical maintenance is defined as a serious threat to public health or safety, a natural resource, or the ability to carry out the mission of the organization. Noncritical maintenance is defined as a potential risk to the public or employee safety or health (e.g., compliance with codes, standards, or regulations) and potential adverse consequences to natural resources or mission accomplishment.

The FS uses condition surveys to estimate deferred maintenance on all major classes of PP&E. No deferred maintenance exists for fleet vehicles and computers that are managed through the agency's working capital fund (WCF). Each fleet vehicle is maintained according to schedule. The cost of maintaining the remaining classes of equipment is expensed.

The agency's deferred maintenance for roads is determined from surveys of an annual random sample of a sufficient number of roads to achieve estimates of 95 percent accuracy and 95 percent confidence. Five hundred roads were included in the FY 2008 sample.

Deferred maintenance needs for all other asset groups are determined from surveys of all individual assets on a revolving schedule where the interval between visits does not exceed 5 years.

The overall condition of major asset classes range from poor to good depending on the location, age, and type of property. The standards for acceptable operating condition for various classes of general PP&E, stewardship, and heritage assets are as follows.

Conditions of roads and bridges within the National Forest System (NFS) road system are measured by various standards:

- Federal Highway Administration regulations for the Federal Highway Safety Act;
- Best management practices (BMP) for the nonpoint source provisions of the Clean Water Act from Environmental Protection Agency and States;
- Road management objectives developed through the National Forest Management Act (NFMA) forest planning process;
- Forest Service Directives—Forest Service Manual (FSM) 7730, Operation and Maintenance (January 2003 amendment was superseded with August 25, 2005, revision); Forest Service Handbook (FSH) 7709.56a, Road Preconstruction, and FSH 7709.56b, Transportation Structures Handbook.

Dams shall be managed according to FSM 7500, Water Storage and Transmission, and FSH 7509.11, Dams Management Handbook, as determined by condition surveys. The overall condition of dams is below acceptable. The condition of a dam is acceptable when the dam meets current design standards and does not have any deficiencies that threaten the safety of the structure or public. For dams to be rated as in acceptable condition, the agency needs to restore the dams to the original functional purpose, correct unsightly conditions, or prevent more costly repairs.

Buildings shall comply with the National Life Safety Code, the Forest Service Health and Safety Handbook, and the Occupational Safety Health Administration as determined by condition surveys. These requirements are found in FSM 7310, Buildings and Related Facilities, revised November 19, 2004. The condition of administrative facilities ranges from poor to good, with approximately 36 percent needing major repairs or renovations; approximately 11 percent of in fair condition; and 53 percent of the facilities in good condition.

Recreation facilities include developed recreation sites, general forest areas, campgrounds, trailheads, trails, water and wastewater systems, interpretive facilities, and visitor centers. These components are included in several asset classes of the deferred maintenance exhibit. All developed sites are managed in accordance with Federal laws and regulations (CFR 36).

Detailed management guidelines are contained in FSM 2330, Publicly Managed Recreation Opportunities, and forest-level and regional-level user guides. Quality standards for developed recreation sites were established as Meaningful Measures for health and cleanliness, settings, safety and security, responsiveness, and the condition of the facility.

The condition assessment for range structures (fences and stock handling facilities) is based on (1) a determination by knowledgeable range specialists or other district personnel of whether the structure would perform the originally intended function, and (2) a determination through the use of a protocol system to assess conditions based on age. A long-standing range methodology is used to gather this data.

Heritage assets include archaeological sites that require determinations of National Register of Historic Places status, National Historic Landmarks, and significant historic properties. Some heritage assets may have historical significance, but their primary function in the agency is as visitation or recreation sites and, therefore, may not fall under the management responsibility of the heritage program.

Trails and trail bridges are managed according to Federal law and regulations (CFR 36). More specific direction is contained in FSM 2350, Trail, River, and Similar Recreation Opportunities, and the FSH 2309.18, Trails Management Handbook.

Deferred maintenance of structures for wildlife, fish, and threatened and endangered species (TES) is determined by field biologists using their professional judgment. The deferred maintenance is considered critical if resource damage or species endangerment would likely occur if maintenance were deferred much longer.

Agricultural Research Service

	FY 2008	FY 2007
Asset Class		
Buildings	$ 241	$ 314
Structures	36	44
Heritage	80	4
Total Agricultural Research Service	$ 357	$ 362

Deferred Maintenance (DM) includes work needed to meet laws, regulations, codes and other legal direction as long as the original intent or purpose of the fixed asset is not changed. Also includes work performed to bring an asset up to present environmental standards or correction of safety problems. Critical DM is DM that is identified for critical systems including HVAC, electrical, roofing, and plumbing tasks. Non-critical DM is all other systems. DM is reported for buildings, structures and heritage assets.

Executive Order (EO) 13327 requires all Federal agencies to assess the condition of their facilities and plan for their full life cycle management. The Condition Index (CI) is a general measure of the constructed asset's condition at a specific point in time. It is calculated as the ration of repair needs, or DM, to plant replacement value (PRV). PRV can be calculated systematically and without much effort. The condition of the constructed asset is a more difficult figure to determine. A repair need is the amount necessary to ensure a constructed asset is restored to a condition substantially equivalent to the originally intended and designed capacity, efficiency or capability. Ideally, with enough money and time, repair needs would be determined for each asset by inspection, evaluation of the repairs required, and consistent estimating of the repairs throughout ARS. ARS does not have available manpower in-house to complete this type of inspection and estimating, nor the funding to contract. ARS looked at approaches to model ARS assets and evaluate the results for management purposes.

Whitestone Research is a company that estimates DM based on the age of the facility, geographic location, typical major components and size of the structure. Whitestone first inspected a sample of representative buildings from eleven ARS sights (roughly 40 percent of the total inventory) and used parametric models to estimate DM and PRV. These results were generalized to the entire population of ARS facilities. Assuming a PRV of $3.5 billion, the CI ratio (1 - $DM/PRV) is 91 percent, an outcome commonly classified as "adequate."

FY 2008	FSA	FSA	CCC	CCC	FAS	RMA	FNS	FSIS	AMS	APHIS
	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary
Budgetary Resources:										
Unobligated balance, brought forward, October 1:	$ 3,165	$ 1,820	$ 1,604	$ 2,139	$ 387	$ 2,262	$ 14,891	$ 57	$ 603	$ 362
Recoveries of prior year unpaid obligations	40	81	1,246	27	96	2	637	1,074	14	129
Budget Authority:										
Appropriation	3,410	-	16,154	-	261	4,222	53,836	940	7,844	1,437
Borrowing Authority	-	1,897	30,267	302	-	-	-	-	-	-
Earned -										
Collected	791	1,499	13,812	1,250	141	2,068	85	150	110	111
Change in receivables from Federal Sources	(3)	-	10	(177)	(42)	-	-	5	-	(9)
Change in unfilled customer orders -										
Advances received	-	-	3	-	-	-	-	-	-	(19)
Without advance from Federal Sources	(1)	(1)	-	194	22	-	-	-	-	-
Expenditure transfers from trust funds	-	-	959	-	-	-	-	-	-	-
Nonexpenditure transfers, net, anticipated and actual	-	-	(2,620)	-	2	1	6,277	(2)	(6,296)	(225)
Temporarily not available pursuant to Public Law	-	-	-	-	-	-	-	-	-	-
Permanently not available	(365)	(2,323)	(33,375)	(350)	(35)	(1)	(838)	(19)	(687)	(24)
Total Budgetary Resources	7,037	2,973	28,060	3,385	832	8,554	74,888	2,205	1,588	1,762
Status of Budgetary Resources:										
Obligations Incurred:										
Direct	4,413	2,104	2,868	869	325	6,497	60,602	2,008	1,096	1,068
Reimbursable	409	-	23,094	-	125	-	28	168	59	326
Unobligated Balance:										
Apportioned	1,092	65	276	1,662	12	2,053	974	8	92	335
Exempt from Apportionment	-	-	811	5	-	-	-	-	289	-
Unobligated balance not available	1,123	804	1,011	849	370	4	13,284	21	52	33
Total Status of Budgetary Resources	7,037	2,973	28,060	3,385	832	8,554	74,888	2,205	1,588	1,762
Change in Obligated Balances:										
Obligated balance, net, brought forward October 1	215	432	7,734	(53)	11	180	4,154	137	112	407
Obligations incurred	4,822	2,104	25,962	869	450	6,497	60,630	2,176	1,155	1,394
Gross outlays	(4,504)	(2,127)	(24,797)	(766)	(365)	(6,219)	(59,859)	(1,072)	(1,132)	(1,291)
Recoveries of prior year unpaid	(40)	(81)	(1,246)	(27)	(96)	(2)	(637)	(1,074)	(14)	(129)
Change in uncollected payments from Federal Sources	5	1	(10)	(17)	20	-	-	(5)	-	9
Obligated balance, net, end of period -										
Unpaid obligations	512	343	7,968	200	106	456	4,288	190	124	410
Uncollected customer payments from Federal Sources	(15)	(13)	(322)	(194)	(86)	-	-	(28)	(2)	(19)
Obligated balance, net, end of period	497	330	7,646	6	20	456	4,288	162	122	391
Net Outlays:										
Gross outlays	4,504	2,127	24,797	766	365	6,219	59,859	1,072	1,132	1,291
Offsetting collections	(791)	(1,499)	(14,773)	(1,249)	(141)	(2,068)	(85)	(150)	(111)	(93)
Distributed offsetting receipts	(581)	-	-	(353)	(1)	-	(1)	(13)	(185)	(20)
Net Outlays	$ 3,132	$ 628	$ 10,024	$ (836)	$ 223	$ 4,151	$ 59,773	$ 909	$ 836	$ 1,178

FY 2008	GIPSA	FS	NRCS	ARS	CSREES	ERS	NASS	RD		DO	TOTAL	
	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Non-Budgetary Financing Accounts
Budgetary Resources:												
Unobligated balance, brought forward, October 1:	$ 13	$ 1,672	$ 1,047	$ 210	$ 126	$ 3	$ 5	$ 1,182	$ 1,249	$ 167	$ 27,756	$ 5,208
Recoveries of prior year unpaid obligations	4	78	491	56	33	2	1	171	1,118	29	4,103	1,226
Budget Authority:												
Appropriation	39	6,309	1,434	1,202	1,211	78	165	3,669	-	444	102,655	-
Borrowing Authority	-	-	-	-	-	-	-	-	12,712	-	30,267	14,911
Earned -												
Collected	46	561	148	81	38	1	19	4,374	6,106	834	23,370	8,855
Change in receivables from Federal Sources	(1)	38	(9)	3	3	-	(3)	(21)	-	(16)	(45)	(177)
Change in unfilled customer orders -												
Advances received	-	(7)	(3)	(1)	17	-	-	-	-	4	(6)	-
Without advance from Federal Sources	-	3	27	16	(3)	-	-	-	48	(52)	12	241
Expenditure transfers from trust funds	-	4	-	-	-	-	-	-	-	-	963	-
Nonexpenditure transfers, net, anticipated and actual	-	(2)	1,956	4	35	1	1	120	-	5	(743)	-
Temporarily not available pursuant to Public Law	-	-	-	-	(11)	-	-	-	-	-	(11)	-
Permanently not available	(3)	(71)	(7)	(17)	(17)	(2)	(2)	(3,455)	(4,238)	(7)	(38,925)	(6,911)
Total Budgetary Resources	98	8,585	5,084	1,554	1,432	83	186	6,040	16,995	1,408	149,396	23,353
Status of Budgetary Resources:												
Obligations Incurred:												
Direct	42	6,055	3,174	1,212	1,245	78	166	3,701	15,066	535	95,085	18,039
Reimbursable	42	360	117	101	60	1	16	512	-	815	26,233	-
Unobligated Balance:												
Apportioned	7	982	517	216	123	1	2	1,234	1,057	1	7,925	2,784
Exempt from Apportionment	-	-	-	-	-	-	-	-	-	-	1,100	5
Unobligated balance not available	7	1,188	1,276	25	4	3	2	593	872	57	19,053	2,525
Total Status of Budgetary Resources	98	8,585	5,084	1,554	1,432	83	186	6,040	16,995	1,408	149,396	23,353
Change in Obligated Balances:												
Obligated balance, net, brought forward October 1	4	1,859	3,176	478	1,411	31	14	5,381	17,728	168	25,472	18,107
Obligations incurred	84	6,415	3,291	1,313	1,305	79	182	4,213	15,066	1,350	121,318	18,039
Gross outlays	(78)	(6,448)	(2,951)	(1,376)	(1,193)	(79)	(179)	(4,528)	(11,269)	(1,373)	(117,444)	(14,162)
Recoveries of prior year unpaid	(4)	(78)	(491)	(56)	(33)	(2)	(1)	(171)	(1,118)	(29)	(4,103)	(1,226)
Change in uncollected payments from Federal Sources	-	(41)	(18)	(19)	-	-	3	21	(48)	68	33	(64)
Obligated balance, net, end of period -												
Unpaid obligations	11	2,132	3,092	436	1,566	29	23	4,924	21,047	349	26,616	21,590
Uncollected customer payments from Federal Sources	(5)	(425)	(86)	(96)	(77)	-	(3)	(8)	(689)	(167)	(1,339)	(896)
Obligated balance, net, end of period	6	1,707	3,006	340	1,489	29	20	4,916	20,358	182	25,277	20,694
Net Outlays:												
Gross outlays	78	6,448	2,951	1,376	1,193	79	179	4,528	11,269	1,373	117,444	14,162
Offsetting collections	(47)	(558)	(145)	(81)	(55)	(1)	(19)	(4,374)	(6,107)	(835)	(24,327)	(8,855)
Distributed offsetting receipts	-	(514)	3	(23)	(4)	-	(1)	(494)	-	(55)	(1,889)	(353)
Net Outlays	$ 31	$ 5,376	$ 2,809	$ 1,272	$ 1,134	$ 78	$ 159	$ (340)	$ 5,162	$ 483	$ 91,228	$ 4,954

FY 2007	FSA		CCC		FAS	RMA	FNS	FSIS	AMS	APHIS
	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary
Budgetary Resources:										
Unobligated balance, brought forward, October 1:	$ 370	$ 781	$ 1,165	$ 1,627	$ 296	$ 1,269	$ 12,418	$ 41	$ 248	$ 358
Recoveries of prior year unpaid obligations	40	84	717	15	132	3	761	104	15	156
Budget Authority:										
Appropriation	4,480	-	25,873	-	346	4,456	51,313	901	7,262	1,341
Borrowing Authority	-	1,351	41,185	281	-	-	-	-	-	-
Earned -										
Collected	808	1,342	16,885	1,188	58	1,364	86	135	187	189
Change in receivables from Federal Sources	6	-	(963)	4	6	-	-	6	(3)	9
Change in unfilled customer orders -										
Advances received	-	-	(181)	-	-	-	(2)	-	-	(5)
Without advance from Federal Sources	-	-	-	-	62	-	(1)	-	-	-
Expenditure transfers from trust funds	-	-	934	-	-	-	-	-	-	-
Nonexpenditure transfers, net, anticipated and actual	-	-	(1,831)	-	8	(6)	5,746	(1)	(5,812)	(235)
Temporarily not available pursuant to Public Law	-	-	-	-	-	-	-	-	-	-
Permanently not available	(419)	(286)	(51,934)	(69)	(3)	(3)	(1,034)	(17)	(120)	(4)
Total Budgetary Resources	5,285	3,272	31,850	3,046	905	7,083	69,287	1,169	1,777	1,809
Status of Budgetary Resources:										
Obligations Incurred:										
Direct	1,707	1,452	2,894	907	357	4,820	54,372	976	1,111	1,054
Reimbursable	413	-	27,352	-	161	1	24	136	63	393
Unobligated Balance:										
Apportioned	3,045	396	401	1,083	107	2,260	639	22	37	330
Exempt from Apportionment	-	-	808	5	-	-	-	-	539	-
Unobligated balance not available	120	1,424	395	1,051	280	2	14,252	35	27	32
Total Status of Budgetary Resources	5,285	3,272	31,850	3,046	905	7,083	69,287	1,169	1,777	1,809
Change in Obligated Balances:										
Obligated balance, net, brought forward October 1	245	462	8,006	(99)	38	276	4,165	96	107	449
Obligations incurred	2,120	1,452	30,246	907	518	4,821	54,396	1,112	1,174	1,447
Gross outlays	(2,104)	(1,398)	(30,764)	(843)	(346)	(4,914)	(53,648)	(961)	(1,155)	(1,324)
Recoveries of prior year unpaid	(40)	(84)	(717)	(15)	(132)	(3)	(761)	(104)	(15)	(156)
Change in uncollected payments from Federal Sources	(6)	-	963	(4)	(68)	-	1	(6)	3	(9)
Obligated balance, net, end of period -										
Unpaid obligations	235	446	8,046	125	117	180	4,154	160	115	436
Uncollected customer payments from Federal Sources	(20)	(14)	(312)	(178)	(106)	-	-	(23)	(3)	(29)
Obligated balance, net, end of period	215	432	7,734	(53)	11	180	4,154	137	112	407
Net Outlays:										
Gross outlays	2,104	1,398	30,764	843	346	4,914	53,648	961	1,155	1,324
Offsetting collections	(808)	(1,343)	(17,637)	(1,189)	(58)	(1,364)	(84)	(135)	(187)	(184)
Distributed offsetting receipts	(89)	-	-	(464)	-	-	3	(7)	(140)	(25)
Net Outlays	$ 1,207	$ 55	$ 13,127	$ (810)	$ 288	$ 3,550	$ 53,567	$ 819	$ 828	$ 1,115

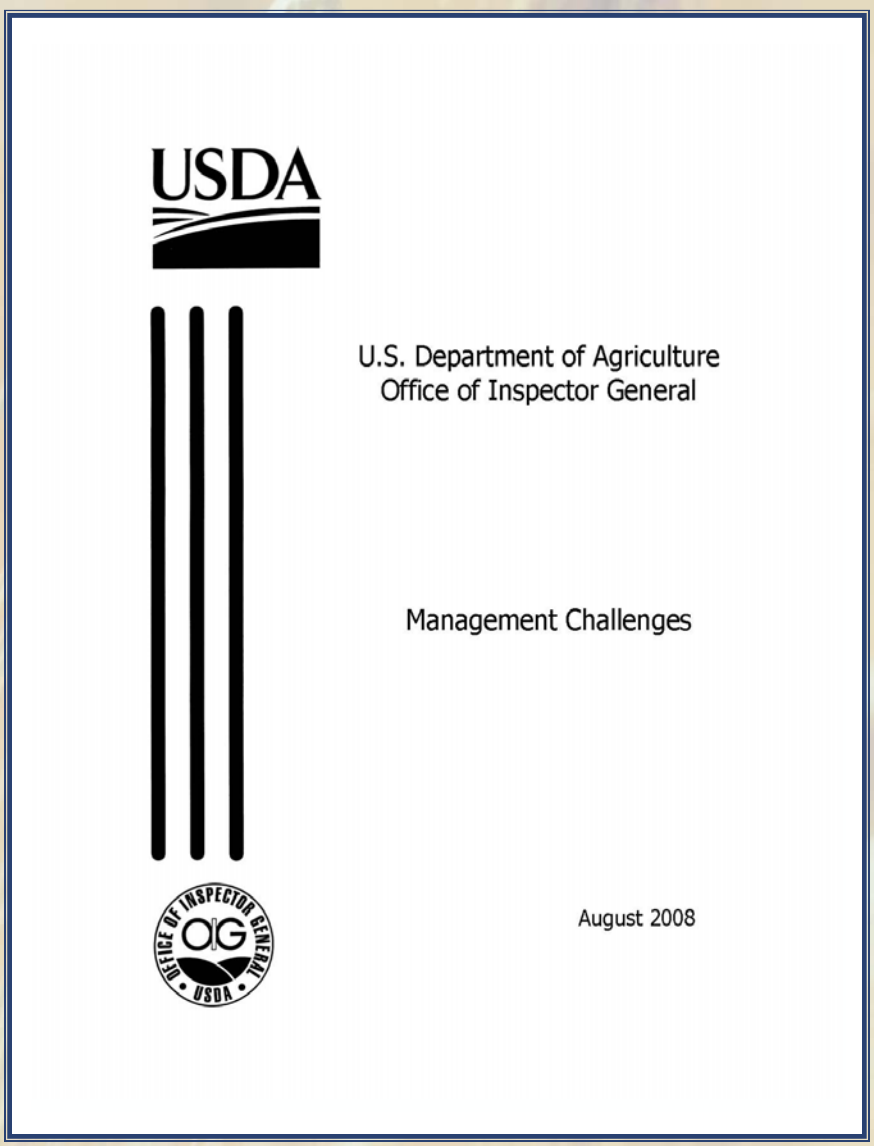
FY 2007	GIPSA	FS	NRCS	ARS	CSREES	ERS	NASS	RD		DO	TOTAL	
	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Non-Budgetary Financing Accounts
Budgetary Resources:												
Unobligated balance, brought forward, October 1:	$ 9	$ 1,809	$ 864	$ 308	$ 133	$ 1	$ 3	$ 1,818	$ 1,307	$ 172	$ 21,282	3,715
Recoveries of prior year unpaid obligations	10	112	564	98	213	5	6	169	1,346	70	3,175	1,445
Budget Authority:												
Appropriation	38	5,586	874	1,148	1,208	75	148	2,821	-	558	108,428	-
Borrowing Authority	-	-	-	-	-	-	-	-	10,846	-	41,185	12,478
Earned -												
Collected	39	525	173	83	31	1	23	4,797	5,983	774	26,158	8,513
Change in receivables from Federal Sources	1	(44)	(21)	(3)	-	-	1	(44)	-	(20)	(1,069)	4
Change in unfilled customer orders -												
Advance received	-	5	-	-	13	-	-	-	-	-	(170)	-
Without advance from Federal Sources	-	(5)	6	(1)	13	-	(6)	-	8	28	96	8
Expenditure transfers from trust funds	-	-	-	-	-	-	-	-	-	-	934	-
Nonexpenditure transfers, net, anticipated and actual	-	21	1,747	3	5	-	-	14	-	5	(336)	-
Temporarily not available pursuant to Public Law	-	-	-	-	(36)	-	-	-	-	-	(36)	-
Permanently not available	-	-	(1)	(6)	(2)	-	-	(4,086)	(5,902)	(6)	(57,635)	(6,257)
Total Budgetary Resources	97	8,009	4,206	1,630	1,578	82	175	5,489	13,588	1,581	142,012	19,906
Status of Budgetary Resources:												
Obligations Incurred:												
Direct	45	6,048	3,000	1,336	1,388	78	151	3,790	12,339	616	83,743	14,698
Reimbursable	39	289	159	84	64	1	19	517	-	798	30,513	-
Unobligated Balance:												
Apportioned	7	840	234	189	117	1	4	427	438	134	8,794	1,917
Exempt from Apportionment	-	-	4	-	-	-	-	-	-	-	1,351	5
Unobligated balance not available	6	832	809	21	9	2	1	755	811	33	17,611	3,286
Total Status of Budgetary Resources	97	8,009	4,206	1,630	1,578	82	175	5,489	13,588	1,581	142,012	19,906
Change in Obligated Balances:												
Obligated balance, net, brought forward October 1	9	1,950	3,484	538	1,365	30	13	5,652	18,537	114	26,537	18,900
Obligations incurred net	84	6,337	3,159	1,420	1,452	79	170	4,307	12,339	1,414	114,256	14,698
Gross outlays	(78)	(6,366)	(2,918)	(1,387)	(1,181)	(74)	(166)	(4,452)	(11,793)	(1,280)	(113,118)	(14,034)
Recoveries of prior year unpaid	(10)	(112)	(564)	(98)	(213)	(5)	(6)	(169)	(1,346)	(70)	(3,175)	(1,445)
Change in uncollected payments from Federal Sources	(1)	49	15	4	(12)	-	4	44	(7)	(8)	973	(11)
Obligated balance, net, end of period												
Unpaid obligations	10	2,243	3,244	555	1,488	31	20	5,410	18,369	400	26,844	18,940
Uncollected customer payments from Federal Sources	(6)	(384)	(68)	(77)	(77)	-	(6)	(29)	(641)	(232)	(1,372)	(833)
Obligated Balance, net, end of period	4	1,859	3,176	478	1,411	31	14	5,381	17,728	168	25,472	18,107
Net Outlays:												
Gross outlays	78	6,366	2,918	1,387	1,181	74	166	4,452	11,793	1,280	113,118	14,034
Offsetting collections	(39)	(530)	(173)	(83)	(44)	(1)	(23)	(4,798)	(5,982)	(773)	(26,921)	(8,514)
Distributed offsetting receipts	-	(500)	6	(19)	(3)	-	-	(488)	-	(41)	(1,303)	(464)
Net Outlays	$ 39	$ 5,336	$ 2,751	$ 1,285	$ 1,134	$ 73	$ 143	$ (834)	$ 5,811	$ 466	$ 84,894	$ 5,056

Risk Assumed Information (Unaudited)

Risk assumed is generally measured by the present value of unpaid expected losses net of associated premiums based on the risk inherent in the insurance or guarantee coverage in force. Risk assumed information is in addition to the liability for unpaid claims from insured events that have already occurred. The assessment of losses expected based on the risk assumed are based on actuarial or financial methods applicable to the economic, legal and policy environment in force at the time the assessments are made. The FCIC has estimated the loss amounts based on the risk assumed for its programs to be $9,859 million and $6,579 million as of September 30, 2008 and 2007, respectively.

4 Other Accompanying Information

Appendix A—Management Challenges



USDA

U.S. Department of Agriculture
Office of Inspector General

Management Challenges

August 2008

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

MEMORANDUM FOR THE SECRETARY

FROM: Phyllis K. Fong /signed/ August 1, 2008
Inspector General

SUBJECT: Management Challenges

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

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

Last year we reported on nine major challenges that we believed were the most significant management issues facing USDA. This year we have removed the challenge on the implementation of the Improper Payments Information Act requirements since we found in a recent audit that the Department has implemented corrective actions as well as a strategy to mitigate the risk of making improper payments. We have also added a new challenge in the area of renewable energy due to the Department's integral involvement in developing viable solutions to meet an increasing worldwide demand for energy. With these adjustments, this year's Departmental challenges remain at nine.

For the previously reported challenges that remain, we restructured some subelements in our challenges and added others. Under Challenge 1 (Interagency Communication), we have now included communication and coordination on issues relating to agricultural inspection policies and procedures. For Challenge 2 (Internal Controls), we added the Natural Resources Conservation Service to the existing Forest Service subelement on improving internal controls and management accountability. Under Challenge 4 (Homeland Security), we restructured our focus on avian influenza and added a subelement on strengthening controls over live animal imports. Also under Challenge 4, we removed the subelement on animal disease surveillance since the agency has re-evaluated and adjusted its testing protocols based on recommendations made.

Memorandum for the Secretary

Lastly—in preparation for the transition to a new administration in 2009—we have included a section on prospective areas of concern (emerging issues) that may have the potential to develop into Departmental challenges in future years. Even though OIG has not had the resources available to conduct work in some of these areas, we believe these issues would be of interest to officials transitioning into their positions in a new administration.

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

Attachment

cc:
Subcabinet Officials
Agency Administrators

OFFICE OF INSPECTOR GENERAL
MAJOR USDA MANAGEMENT CHALLENGES
(August 2008)

Current Challenges - Synopsis

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

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

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

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

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

Agencies need to:

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

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

- Implement commodity inventory systems that provide critical homeland security features and complete security clearances for employees involved in commodity inventory management activities and in risk assessments.
- Continue to strengthen controls over select agents and toxins.

- Continue efforts to coordinate with the Department of Homeland Security in implementing effective control systems to ensure the safety and security of agricultural products entering the country.
- Continue to strengthen ability to respond to avian influenza outbreaks.
- Strengthen controls over live animal imports.

(5) Material Weaknesses Continue To Persist in Civil Rights Control Structure and Environment

- Develop a plan to process complaints timely and effectively.
- Ensure integrity of complaint data in the system.
- Develop procedures to control and monitor case file documentation and organization.

(6) USDA Needs To Develop a Proactive, Integrated Strategy To Assist American Producers To Meet the Global Trade Challenge

- Continue to strengthen genetically engineered organism field testing controls to prevent inadvertent genetic mixing with agricultural crops for export.
- Develop a global market strategy.
- Strengthen trade promotion operations.

(7) Better Forest Service Management and Community Action Needed To Improve the Health of the National Forests and Reduce the Cost of Fighting Fires

- Develop methods to improve forest health.
- Establish criteria to reduce the threat of wildland fires.

(8) Improved Controls Needed for Food Safety Inspection Systems

- Complete corrective actions on prior recommendations.
- Develop a time-phased plan to complete assessments of establishment food safety system control plans and production processes, including a review program that includes periodic reassessment.
- Develop a process to accumulate, review, and analyze all data available to assess the adequacy of food safety systems.
- Improve the accuracy of data available in the systems.
- Continue to develop and implement a strategy for hiring and training inspectors.

(9) *NEW CHALLENGE:* **Implementation of Renewable Energy Programs at USDA**

- Develop and implement a viable and comprehensive renewable energy strategy for USDA agencies and programs.

Challenges Removed From the Fiscal Year 2007 List

One Departmental management challenge reported last year, Challenge 4 on the Implementation of the Improper Payments Information Act Requirements, was removed from this year's list.

(Last Year's Challenge 4) Implementation of Improper Payments Information Act (IPIA) Requirements Needs Improvement

OIG initiated 18 audits in response to this effort since 2005, when eliminating improper payments became a Presidential Management Agenda initiative. The Office of the Chief Financial Officer (OCFO)—as the cognizant body for the Department—fully implemented our recommendations and has strengthened and clarified the risk assessment process. All agencies must perform risk assessments to determine their degree of susceptibility to improper payments. We have noted in our audits that the agencies designated by the Office of Management and Budget (OMB) and the Department to be at high risk of making improper payments, have taken steps to accurately estimate the rate of improper payments. In our most recent audit, we found that the seven FSA programs considered to be high risk (over 50 percent of USDA's high risk programs) made significant improvements in their estimation processes. As a result of this, their improper payment rate dropped from $2.9 billion to $563 million (a decline from 11.2 to 2.5 percent). In addition, based on discussions with the OCFO, a strategy to aggressively implement the part of the IPIA geared towards reducing the improper payment rates within the Department is being implemented. We will continue to work with the Department on this effort and monitor the progress made.

USDA has also made significant progress in addressing issues identified under the following Departmental management challenge.

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

Ensure animal disease surveillance testing protocols are based on emerging science. The Animal and Plant Health Inspection Service (APHIS) has re-evaluated and adjusted its testing protocols based on emerging science and agreed to continue to do so. APHIS agreed to make adjustments to its standard operating procedures based on recommendations from OIG, its own scientists, and internationally recognized experts. Additional tests and flexibility will be utilized when conflicting or unexplained anomalies in test results occur and will only be performed after consultation with USDA officials. APHIS implemented the new standard operating procedures in October 2006 after it moved from the enhanced surveillance program to a level of testing commensurate with OIE (World Organization for Animal Health) guidelines.

EMERGING ISSUES

In preparation for the transition to a new administration in 2009, we have included potential areas of concern (emerging issues) that may develop into challenges in upcoming years. Some potential areas identified encompass all components of USDA, while others may be specific to our current management challenges.

- **Implementation of the New Farm Bill Activities/Initiatives**. On June 18, 2008, the Food, Conservation, and Energy Act of 2008 became Public Law 110-246. The new Farm Bill authorizes new programs and re-authorizes programs covering the plethora of activities carried out by the Department. In addition to the farm provisions affecting U.S. producers, the Farm Bill includes trade, Federal crop insurance, research, food safety and marketing, food stamp, rural development, international food assistance, and bioenergy provisions. With enactment of this law, the Department will need to immediately implement some new programs, phase out expired programs, and revise existing programs. The scope of the Farm Bill and the timelines provided to implement the multitude of provisions will require significant monetary and human capital resources to be expended by the Department.

- **Enforcement of Suspension and Debarment Regulations in USDA agencies.** Except in a few agencies, generally USDA is not using suspension and debarment regulations to protect the Government from habitual abusers of Federal programs even though this has been a requirement of Executive Order 12549, *Debarment and Suspension*, signed by the President on February 18, 1986. Moreover, USDA has excluded many of its programs from the suspension and debarment regulations using questionable justification. Given the fact that suspension and debarment is a critical tool for ensuring program integrity, we believe it is time for USDA to address this issue and implement controls to ensure the effective implementation of suspension and debarment within USDA.

- **Proposed Amendments to IPIA**. A bill was introduced by the Senate to enact "The Improper Payments Elimination and Recovery Act." This bill would amend the Improper Payments Information Act of 2002 to prevent the loss of billions in taxpayer dollars. Previously, only programs that had estimated improper payments to exceed 2.5 percent and $10 million were required to take further measures to statistically estimate their level of improper payments. The proposed legislation states that if either of the criteria is met, a program would be required to develop a systematic process for producing a statistically valid estimate of the level of improper payments being made by the program. The proposed legislation focuses more attention on the elimination of improper payments through improving management controls.

- **Availability of Human Capital Resources To Handle Agency Program Requirements.** Program changes occur annually due to new laws, changes in priorities, the occurrence of disasters, new initiatives, etc. Each program change requires an experienced and skilled staff to ensure the programs operate efficiently and effectively. There will be increased pressure on staff during the next few years as the new Farm Bill is being implemented. For example, under the new Farm Bill, there will be new programs that will require policies, regulations, and changes to management information and program delivery systems to ensure each program is properly implemented and program benefits timely and accurately dispersed. These program changes are occurring at the same time that a large percentage of USDA's experienced and skilled staff is eligible to retire. Sixteen percent of USDA's staff is currently eligible to retire. There are 12 agencies and offices that have 20-plus percent of their staff retirement eligible and an additional 11 with 15-plus percent eligible. Current statistics reveal that USDA staff has decreased from over 105,000 in 2003 to under 98,000 in 2008 (a reduction of 7 percent). In 2003, 12.6 percent of the staff in the GS-11 to -13 grade range and 21.6 percent of those employees in the GS-14 and -15 range could retire. This compares to 18.2 percent and 27.5 percent, respectively, in 2008. Following are specific areas of concern.

  - **Natural Resources Conservation Service's (NRCS) Staffing Resources**. In our ongoing audit of wetland restoration compliance in NRCS' Wetlands Reserve Program (WRP), we found that NRCS State offices were unable to monitor an increasingly large number of WRP easements on an annual basis with the resources available to them. We sampled 153 WRP projects in 6 States and found that NRCS was unable to annually monitor 134 of the projects (88 percent). We visited 92 of these WRP projects and found that NRCS did not detect violations on 37 of the WRP projects (42 percent). We noted from fiscal years (FY) 2000 to 2005, in the 5 State offices we visited, monitoring responsibility almost doubled—from 1,584 WRP projects to 2,971. Meanwhile, these 5 State offices lost almost a quarter of their WRP full-time equivalents (FTE)—from 69 to 53. For example, projects being monitored at NRCS' New York State Office increased from 542 to 1,132, while its FTEs decreased from 9 to 8. We found similar trends at the other four State offices. Instead of attempting to monitor all sites as required by current procedures given its resources, we recommended that NRCS implement a monitoring system to prioritize projects for monitoring.

  - **Food Safety Inspector Staffing and Retention**. Recent recalls and Congressional hearings have brought Food Safety and Inspection Service (FSIS) inspector staffing levels into question. There may be a public perception that there are not enough FSIS inspectors on staff, and in testimony to Congress, USDA admitted that there are areas where inspector retention is difficult. Although this is not a new issue, it is one that is likely to persist, especially given FSIS' increasing role and potential budget constraints.

- **Workforce Succession Planning for Firefighters**. The Forest Service (FS), like numerous Federal agencies, has a workforce where many of its employees are ready to retire or will be eligible in the near future. FS already relies on employing retired personnel to perform many needed tasks. This appears to be increasingly true for fire-suppression activities. OIG is currently initiating an audit of FS workforce succession planning for firefighters. We are considering including in our FY 2009 audit plan an audit of other FS workforce succession issues. We are starting with firefighters because of the immediate possible impact on public health and safety.

- **NRCS Conservation Performance Goals.** Under its Conservation Effects Assessment Project (CEAP), NRCS has adopted outcome-based performance measures to quantify the environmental benefits of conservation practices by private producers and landowners participating in its conservation programs. Until CEAP is fully implemented, NRCS does not have timely and accurate information to effectively measure the accomplishments of its conservation activities and of the agency's strategic goals. In its 2006 Program Assessment Rating Tool, OMB identified the Conservation Security Program as "Results Not Demonstrated" in large part because it is difficult to estimate the environmental benefits from the Conservation Security Program's enhanced activities that provide incentives for producers to achieve benefits greater than the minimum standards. In our review of the Chesapeake Bay Program, we recommended that the Department expedite the development and implementation of CEAP. Currently, NRCS leadership is assessing the specific direction needed to accomplish this goal.

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

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

OIG AUDIT/INVESTIGATION ACTIONS:

USDA Could Improve Crop Insurance, Conservation, and Farm Program Integrity and Efficiency Through Integration of the Agencies' Information Management Systems. Since 1998, the Farm Service Agency's (FSA) ad hoc crop disaster programs (CDP) have been predicated on crop production data that are managed by the Risk Management Agency (RMA) and downloaded to FSA. OIG's audits of the 1998-2002 CDPs showed that FSA and RMA need to reconcile and redefine their data to better meet the needs of FSA in the administration of the CDPs. Specifically, our audits of CDP have disclosed instances in which improper payments occurred because data downloaded from RMA were not properly interpreted or used by FSA. For example, our audit of the 2001/2002 CDP found cases in which FSA incorrectly processed applications for producers with crop insurance based upon group risk; such applications required special handling to determine the producers' individual (versus group) losses, but FSA employees did not consistently recognize group risk program policies on the data downloaded from RMA.

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

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

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

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

Under the CIMS project, which is expected to be operational in 2012, RMA and FSA have begun to address inconsistencies in their crop data definitions, such as practice, type, intended use, and variety. However, rather than build on those data definitions to develop a fully integrated system in which data reported by a producer to one agency may be used to the extent practicable by the other agency, the CIMS project, to date, has focused on sharing the data collected by one agency with the other, in order to allow a side-by-side, visual comparison of the producer data reported to each agency. According to FSA, CIMS is not intended as a process for reconciliation of data collected by RMA and by FSA from producers; the reconciliation process that will be performed using CIMS is a reconciliation of data elements that are used to collect data from producers. Moreover, CIMS currently is not integrated into the agencies' program administration—CIMS stands alone as a subsystem whose operations do not interface with the agencies' program operating systems. Much remains to be done to bring to fruition the agencies' reconciliation and integration of producer information, in order to improve the integrity and efficiency of the programs.

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

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

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

Likewise, our ongoing audit of FSA's Hurricane (crop) Indemnity Program (HIP) shows that RMA has not yet provided to FSA corrected crop insurance information necessary to ensure the integrity of HIP payments, although RMA is aware such corrections are needed. Specifically, under HIP, eligible producers who received a crop insurance indemnity for crop losses attributable to the 2005 hurricanes (based on the producer-reported causes of loss and dates of damage) were eligible to receive HIP benefits equal to 30 percent of the crop insurance indemnity. HIP payments are based on RMA data downloaded weekly to FSA. However, during the audit it came to our attention that, subsequent to the date HIP was announced, some producers' RMA data changed: some approved insurance providers (AIP) changed producers' causes of loss or dates of damage and resubmitted the information to RMA so it would be downloaded to FSA. This action resulted in some producers becoming eligible for HIP payments who otherwise would have been denied payments.

The changes to RMA data for HIP purposes were first reported to RMA by FSA in August 2006, and by February 2007, RMA had verified with at least one of the AIPs that some of the changes were unsupported. However, it was not until May 4, 2008, that RMA submitted the data-warehousing and data mining work order that would be used to make inquiries to the AIPs and ultimately provide FSA with a final and verified list of eligible HIP producers.

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

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

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

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

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

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

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

In January 2004, USDA awarded a contract to assist in the development of CIMS. The first component of CIMS to be developed is a database that contains select RMA and FSA data. This component is to enable agency management, FSA county offices, RMA compliance and regional offices, AIPs, company approved agents, and loss adjusters to access, from a single source, applicable producer information and crop acreage information reported by producers to RMA and to FSA. RMA reports that, since July 2006, CIMS has been loading selected RMA and FSA data on a weekly basis. According to RMA, the system currently provides RMA and FSA electronic access to a centralized source of some common information reported by a producer to both RMA and FSA, generally regarding crop acreage and business entity type. As of April 8, 2008, FSA reported that testing of "Managers Reports" developed through CIMS and procedures was underway. According to FSA, the reports, when deployed, can be used by AIPs, RMA, or FSA when concerns arise as to possible differences between information submitted by producers to RMA and to FSA, i.e., to facilitate data reconciliation. "Member entity" data maintained by FSA are slated to be incorporated into the CIMS process by the third quarter of FY 2008, and production data are slated to be incorporated by the fourth quarter. In addition, FSA and RMA each report that it has incorporated into CIMS "the appropriate points for applying data mining techniques within [its agency]."

FSA has provided CIMS access to only its national office and a select few State and county offices to test applications. FSA State and county office employees will be granted access once the applications have been tested and a policy has been issued for CIMS. In December 2007, USDA published routine uses for CIMS (system of records) in order to share crop and production data with AIPs. However, for CIMS purposes, USDA has since proposed to limit the disclosure of FSA's Farm Records File to RMA and any contractor engaged in the development or maintenance of CIMS, including access to all FSA data incorporated into CIMS.[1] FSA reports that, in the third quarter of FY 2008, the agencies will begin working towards a single acreage reporting process for insured producers to reduce the burden of duplicating reporting requirements for producers for common elements, which would eliminate the need for reconciliation (since only one dataset would be maintained). In the long term, NRCS will be invited to participate in CIMS. The success of the CIMS effort critically depends on a unified, integrated approach to program administration, information collection, and systems development.

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

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

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

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[1] As of May 19, 2008, a USDA draft notice to correct routine uses of FSA's Farm Records File (USDA/FSA-2) system of records proposes, for CIMS purposes, to limit disclosure of records contained in FSA-2 to RMA and to any contractor engaged in the development or maintenance of CIMS, including access to all FSA data incorporated into CIMS. Further, the notice proposes to limit the specific categories of information in FSA-2 that FSA will routinely share with RMA "for appropriate distribution to AIPs and loss adjusters": AIPs, company approved agents, and loss adjusters will not have direct access to CIMS, but, through RMA, AIPs and loss adjusters will be provided access to certain FSA-2 information associated with their insured producers and producers' farming operations contained in counties covered by their policies.

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

- RMA, FSA, and NRCS should implement CIMS to better share program data and eliminate duplicate reporting by producers.

- RMA and FSA should implement a more effective data reconciliation process, as mandated by ARPA. Even if CIMS is implemented, validity checks, i.e., data reconciliation, should be employed in that system, to the extent practicable, to identify apparent discrepancies in related data; and steps should be taken to resolve such discrepancies.

- RMA, FSA, and NRCS should incorporate data mining techniques up front in the design of software used for program administration to detect data anomalies and potential improper payments. (Through data mining RMA has estimated $487 million in potential savings from crop year 2001 through crop year 2006. In 2006, to better identify fraud, waste, and abuse in the crop insurance program, FSA began sharing with RMA information on policyholders' ownership interests. However, since that time, the agencies temporarily have stopped sharing this information until issues related to producer privacy can be resolved.[2] NRCS could also benefit from data mining in its direct administration of conservation programs.)

- NRCS and FSA and, likewise, RMA and FSA, should continue to integrate interagency communication and coordination in their program activities to ensure one agency's actions do not adversely affect the other agency's programs.

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

- APHIS should develop and provide to CBP a system of risk assessment for rail cargo so that the degree of risk can be determined.

- APHIS should clarify the requirements for using T&E permits and develop methods for CBP to efficiently verify that required permits are obtained.

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

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

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

Additionally, through our investigative work, we found individuals who claimed residencies in hurricane-affected areas; however, these individuals had never actually lived in those areas. In one investigation an Illinois woman obtained at least $23,982 in Hurricane Katrina housing, food stamps, and cash assistance to which she was not entitled. The woman never resided in Louisiana or Mississippi and could not have been affected by Hurricane Katrina. She also claimed that she had two children die in the Hurricane when, in fact, she never had any children.

Another case involved a woman, who stated she was living in her RHS-financed dwelling from early 2000 until November 2005, when instead, she rented the dwelling to other individuals and did not report it to RHS. The woman also applied for and received benefits from the Federal Emergency Management Agency (FEMA) for damages to the dwelling, which she was not entitled to because it was not her primary residence.

Longstanding Issues Remain Uncorrected in Federal Crop Insurance Programs Regarding Quality Control Issues, Sanctions, and Reconciliation of Data. For the 2007 crop year, indemnity payments totaled approximately $3.5 billion and Government subsidies of insurance premiums totaled approximately $3.8 billion. To ensure quality and integrity in its programs, RMA relies on a number of complementary and/or independent control systems; these include quality control reviews by AIPs and compliance activities by its own staff.

Our audits and investigations have reported the need for RMA to strengthen its quality assurance and compliance activities to ensure compliance with program requirements. We have found through our audits and investigations that there is no reliable quality control review system to evaluate private sector delivery of the Federal Crop Insurance Program. As part of ARPA, RMA was provided expanded sanction authority for program noncompliance and fraud. Sanctions include civil fines; producer disqualification for up to 5 years; and disqualification of other persons (agent, loss adjuster, AIP) for up to 5 years. Although RMA has utilized sanctions to a limited degree, it has not issued a final rule on its expanded sanction authority. Also, beginning with the 2001 crop year, ARPA required that RMA and FSA reconcile producer-derived information at least annually in order to identify and address any discrepancies. RMA has not attempted to perform this reconciliation of RMA and FSA data since crop year 2001. RMA believes that the development of CIMS—jointly with FSA—will meet the reconciliation requirements of ARPA. However, CIMS will not assist RMA in reconciling data from the 2001 crop year through the time that CIMS is fully implemented because only current information will be loaded into CIMS. Full implementation (i.e., common land unit, common producer reporting, single acreage reports) is anticipated in 2012. Without a firm commitment and Departmental oversight, we believe the date for implementation will continue to be pushed back.

Agencies Need To Improve Their Response to Audit Recommendations. USDA agencies need to improve their timeliness in developing and implementing corrective action plans in response to audit recommendations. The U.S. Government Accountability Office's (GAO) Web site lists 73 audits with open recommendations for USDA. This includes 9 audits released in FY 2008 and 64 in prior years as of July 16, 2008, with the oldest GAO audit being open since FY 2002. As of July 16, 2008, there were 18 audit reports where OIG and the agencies had not reached management decision on the actions necessary to address the recommendations within the required 6-month time period. Based on records maintained by the Office of the Chief Financial Officer (OCFO), as of July 16, 2008, there were approximately 88 audits where agencies had not completed final action within 1 year of agreeing to implement corrective actions. Developing and implementing effective corrective actions in response to audit recommendations is a key component to enhancing agency internal control systems. Many GAO and OIG findings deal directly with weaknesses in agencies' internal control structures.

Improved Controls Needed Over USDA Financial Processes. Improvements in internal controls over financial management systems and processes are needed in USDA to ensure that accurate financial data are available to managers administering and operating USDA programs, as well as OMB, in a timely manner. Control weaknesses continue to impair the utility of USDA's financial information as evidenced by the three reportable conditions, disclosed for the past 4 years, two of which—(1) needed improvements in overall financial management across USDA and (2) needed improvements in information technology security—were significant enough to warrant being reported as material weaknesses for the Department. USDA and RD received qualified audit opinions on the FY 2007/2006 financial statements. The qualified opinion on the Consolidated Financial Statements was due to significant revisions made to RD credit reform processes related to the Single-Family Housing Program cashflow model and subsidy reestimates. RD was unable to provide sufficient, appropriate evidence to support the financial statement line item amounts as of September 30, 2007. These revisions materially impacted RD's and USDA's Consolidated Financial Statements as a whole. Furthermore, agency stand alone financial audits identified 6 material weaknesses and 11 significant deficiencies. Although improvements have been made in this area, it nonetheless continues to represent a management challenge to the Department.

Forest Service (FS) Needs To Better Ensure Adequate Oversight of Internal Controls. Internal control issues discovered through OIG work is the need for FS to have better controls to ensure adequate oversight of national firefighting contract crews. Specific issues identified include the lack of adequate controls to monitor and ensure adequate training of contract firefighters, administration of vendors (i.e., verification of employment eligibility or overcoming communication barriers when English is second language) as well as contract crew member qualifications.

NRCS Needs To Significantly Strengthen Its Policy, Processes, and Procedures. We continue to find significant deficiencies in NRCS' management controls over its programs (from producer eligibility approval to producer compliance with conservation provisions) as well as over its administrative activities. Starting with the 2002 Farm Bill, NRCS was authorized more responsibility to implement and administer newly mandated conservation programs. In the 2002 Farm Bill, NRCS was authorized additional responsibilities with level staffing to implement newly mandated conservation programs that deliver significantly more financial assistance to producers. NRCS has yet to establish the necessary management controls and process to effectively administer and manage these new mandated responsibilities. We attribute these deficiencies to the agency's decentralized organization structure. NRCS delegates broad authority to its field units (State and area offices, and district offices) without having an adequate system of oversight, monitoring, and review controls to ensure policies established by senior management are followed. We have identified significant control deficiencies in our three most recent WRP audits, our two Farm and Ranchland Protection Program audits, and our *Controls over Vehicle Maintenance Costs* audit. In each of these audits we found a significant number of instances where NRCS State and local staff either did not comply with established procedures or relied on other parties, including producers/landowners, to ensure compliance.

In an ongoing audit of NRCS' Conservation Security Program (CSP), which was first authorized under the 2002 Farm Bill, we found cases where NRCS may have inadvertently permitted producers to misrepresent their farm operations to obtain additional payments from multiple CSP contracts and, thereby, to receive CSP benefits in excess of payment limitation levels. Instead of verifying the producer's agricultural operations against comparable, readily available data that the producer had provided to FSA, NRCS relied only on the producer's certification of his/her operations. As a result, NRCS overpaid participants in FYs 2006 and 2007 and is scheduled to make additional overpayments over the remaining years of the contracts. In another ongoing review of whether producers were complying with conservation agreements under WRP, we found that the NRCS State offices did not annually monitor 88 percent of the sampled WRP projects. We found violations on 42 percent of the WRP projects that we visited. NRCS National office program staff were often not aware of the type or extent of the noncompliance issues that we found.

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

OIG AUDIT/INVESTIGATION ACTIONS:

- OIG audit work has identified weaknesses in RHS internal controls when the agency is providing assistance during national disasters. Events of this magnitude provide significant challenges for the agency both in providing assistance to victims as well as ensuring that only those individuals impacted by the disasters receive the assistance. We are working with RHS to identify internal control processes that can ensure that victims of disasters receive the appropriate level of assistance.

- OIG continues to work with USDA agencies to reach management decision on actions needed to address our audit recommendations. One of our primary goals is to ensure that the actions that are agreed to by the agency and OIG are achievable within the required 1-year period.

- Our audit work has disclosed that RMA lacks an effective quality control review system to evaluate private sector delivery of the Federal Crop Insurance Program. We are currently evaluating the quality control review system that AIPs have in place. In addition, we have an ongoing audit to evaluate RMA's overall compliance activities.

- We continue to focus our audits on the management control structure within FS. OIG audits, along with those from GAO and special reviews from outside contractors, have found that FS management has not implemented effective corrective action on reported problems. Some of these issues have been reported in multiple reports for over a decade, but their solutions are still in the study and evaluation process by FS.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS:

- RD is actively engaged in discussions with FEMA and other Departments to develop computer matching agreements to provide housing assistance to disaster victims to prevent and detect duplicate payments. RHS is developing procedures to monitor field office actions following disasters and has also agreed to obtain guidance from the Office of the General Counsel (OGC) to ensure that limited disaster funds are spent on only disaster-related expenditures.

- USDA continues to strengthen its financial management process. OCFO has worked closely with the agencies to improve control measures to mitigate errors in financial data and to improve the Department's financial systems.

- RMA has been conducting operations reviews of the AIPs' compliance activities and is developing a "rolling" Program Error Rate. RMA plans to complete a review of all AIPs once every 3 years. These operational reviews are to assess the company's compliance with Appendix IV (quality control) and other provisions in the *Standard Reinsurance Agreement*. RMA has developed its review guide and completed the third round of these national program operations reviews for the 2007 reinsurance year. RMA believes that these reviews will provide the first program error rate.

  In response to ARPA's sanction authority, the proposed rule to amend the *General Administrative Regulations, Administrative Remedies for Non-Compliance* provisions was published in *The Federal Register* on May 18, 2007, with the comment period ending on June 18, 2007. RMA has reviewed the comments to the proposed regulation and forwarded the final rule to OGC for clearance. RMA will finalize the ARPA-authorized sanctions regulations as soon as OGC has completed its review of the current draft.

- FS has reemphasized its management review process to assess its operations and provide management with information on how the agency's internal controls are operating. The size and complexity of the FS operation will require a long-term commitment by agency management.

- For the 2007 crop year, FSA implemented a new statistical compliance review and spot check selection process. Under the new process, compliance review results are entered into a National Compliance Review Database, which is used to collect data and generate reports from compliance review and spot check findings. Reports will be generated at the national office level. FSA State offices will be notified of compliance results and any necessary corrective action. The reports will consist of an analysis that identifies discrepancies, noncompliance trends, and common problems, including errors resulting in improper payments and steps taken to reduce them. This information will be shared across FSA divisions to assist the agency in identifying noncompliance trends, directing limited resources to known problem areas, and improving the integrity of FSA programs.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE:

- RHS needs to complete computer matching agreements with other agencies that provide disaster response and relief. It also needs to complete new RHS procedures to monitor and control assistance in response to disasters.

- RMA needs to continue its effort to establish a consistent and comprehensive review process to be used by all reinsured companies. RMA also needs to implement a system to evaluate the overall effectiveness and reliability of quality control reviews performed by the companies.

- USDA and its agencies need to ensure that their proposed management actions address audit recommendations and are structured so that they can be achieved within agreed-upon timeframes.

- USDA agencies need to continue to improve their financial systems so that the financial information produced by these systems will allow them to prepare complete, accurate financial statements without extensive manual procedures and adjustments.

- FS and NRCS both need to improve their management controls in order to effectively manage resources, measure progress towards goals and objectives, and accurately report accomplishments.

- FSA needs to complete its first (2007) compliance review cycle under the new process, including analysis of the compliance review results to identify program weaknesses and improve the corresponding systems of internal controls.

CHALLENGE: **CONTINUING IMPROVEMENTS NEEDED IN INFORMATION TECHNOLOGY SECURITY**

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

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

The weaknesses discussed above have allowed for abuse of these systems. One example involved a former county employee of the Soil and Water Conservation District (SWCD) who confessed to using SWCD-owned computers to upload and download child pornography images to and from the Internet while he was working in the USDA Service Center. The former employee also confessed to posting child pornography images to a photo album on a popular Internet site, using a computer at his new place of employment to access the images, and downloading child pornography images to one of his personally owned computers.

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

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

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: According to USDA's OCIO, significant accomplishments to address IT security have been achieved. These accomplishments include an increased management focus via a newly implemented security program scorecard, improved information systems and information technology inventories, improved plan of action and milestone processes, automated information systems risk categorization, system and program reviews, and other actions. OCIO has made significant improvements in the Certification and Accreditation (C&A) concurrency process during FY 2008 that has resulted in better C&A documentation. Also, OCIO has made improvements in increasing employee awareness of PII and the responsibilities for protecting it by creating a PII awareness campaign, reporting more incidents, and increasing risk mitigation activities for vulnerabilities. Currently, OCIO is implementing a new software tool which OCIO expects—once fully functional—will provide significant program improvements over information technology security.

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

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

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

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

For FY 2008, USDA homeland security missions were funded at over $570 million. The areas that USDA's Homeland Security Office (HSO) and agencies have focused on are part of the Food and Agriculture Defense Initiative. For FY 2008, the initiative was funded at $41 million for food defense and $142 million for agriculture defense. Many of the activities under this initiative were mandated under the Public Health and Bioterrrorism Preparedness and Response Act of 2002—for example, enhancing the capability to respond in a timely manner to bioterrorist threats to the food and agricultural system and developing an agricultural bioterrorism early warning surveillance system.

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

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

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

Select Agents and Toxins. In January 2006, OIG issued an audit of APHIS' implementation of the Agricultural Bioterrorism Protection Act of 2002, which provides for the regulation of agents and toxins that could pose a severe threat to animal and plant health or to animal and plant products. We reported that APHIS had not ensured that entities were fully complying with regulations regarding security plans; restricting access to select agents or toxins; training individuals authorized to possess, use, or transfer select agents or toxins; and maintaining current and accurate inventories.

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

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

Controls Over Permits To Import Agricultural Products. Our previous audit of this process, issued in March 2003, identified weaknesses that could allow unauthorized persons to gain access to the permit program and potentially use it to bring prohibited materials into the country. In our October 2007 followup audit, we found some improvements had been made to the security of its processes for issuing import permits for agricultural products; however, APHIS had not fully implemented its new permit system (ePermits), which would provide much greater control and accountability than was previously possible. Inspectors have the ability to access ePermits to verify basic information on permit shipments; however, APHIS inspectors have not been provided instructions for using ePermits to screen incoming shipments. APHIS had made some progress in improving its screening procedures at ports of entry by routing biohazardous materials through seven facilities equipped for safe handling; however, it had not instituted controls to ensure shipments are routed to these facilities. Finally, APHIS had not implemented an adequate system to perform compliance inspections after permit approval and had not instituted controls to verify that the inspections are performed.

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

With regard to its National AI Preparedness and Response Plan (Response Plan), we reported that APHIS needed to provide additional guidance on preparing and responding to highly pathogenic AI (HPAI) or notifiable AI outbreaks in live bird markets or other "off-farm" environments. Also, APHIS needed to finalize interagency coordination on the process and procedures for notifying owners of susceptible animals of the current infectivity risks, and the necessary protective actions they should take when an outbreak of AI occurs.

In our January 2008 audit of *USDA's Implementation of the National Strategy for Pandemic Influenza*, we found that USDA took action on each lead task we reviewed; however, it did not test newly developed procedures or assess and evaluate the revised procedures to ensure they worked as designed. Also, USDA did not correctly report the status of two major APHIS functions to the Homeland Security Counsel (HSC). In addition, as of July 2008, APHIS has not fully implemented one of the eight recommendations from our prior report, *Oversight of Avian Influenza* (Audit Report No. 33099-11-Hy, issued June 2006). The recommendation is intended to strengthen APHIS' ability to respond to an AI outbreak.

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

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: Currently, as stated in the *FY 2007 Performance and Accountability Report*, the Departmental efforts and initiatives in Homeland Security include:

- Implementing procedures for inspecting registered organizations in possession of select agents. The new procedures will verify that organizations conduct and document annual performance tests of their security plans. These procedures are being implemented in FY 2008.

- Implementing a Memorandum of Understanding between APHIS and FSA that provides a further understanding of each agency's cooperation, expectations, and responsibilities to control and eradicate avian influenza and other foreign diseases of livestock.

- Implementing national AI surveillance activities to be undertaken by Federal and State agencies and the commercial poultry industry in the event of an outbreak.

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

In response to our select agent audit, APHIS coordinated with the Department of Health and Human Service's (HHS) Centers for Disease Control and Prevention to develop and implement procedures to share responsibilities for inspecting registered entities handling agents. APHIS established formal procedures for performing security inspections at the registered entities to ensure that the inspections are consistent and thorough. APHIS is requiring that its inspections of registered entities in possession of select agents verify that these entities base their security plans on a site-specific risk analysis and address all critical areas identified in the regulations.

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

In order to ensure the accuracy of information reported to HSC, APHIS requires first-line supervisor clearance prior to submission. APHIS provided HSC with corrected information for the inaccurately reported tasks. APHIS has proposed to HSC, and they have agreed to use, QuickPlace[3] to track all future action items for all Departments. This will allow them to monitor their lead action items and the actions they are responsible for as a support agency. HSC will make this a voluntary system initially. APHIS will report completed action items for which they are

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

assigned support functions to ensure USDA's interests are considered appropriately. APHIS agreed that testing is essential to assess readiness. APHIS provided evidence of the tests of actual procedures during a simulated HPAI outbreak that would supplement tabletop exercises. APHIS formalized its procedures to update its notification Web site.

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

In response to our review of permits to import agricultural products, APHIS agreed to incorporate capabilities into ePermits to identify permit holders who are required to be inspected and inspections that have actually been performed. We concurred with the proposed corrections for the other recommendations made; however, most of APHIS' responses only described Plant Protection and Quarantine's corrective actions and did not include actions being taken by Veterinary Services.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE:

Commodity Inventories. FSA needs to implement commodity inventory systems that provide critical homeland security features, such as timely and effective reporting of significant details about inventory changes. FSA reports that USDA has joined forces with the U.S. Agency for International Development and the Maritime Administration to implement a modern Web-based supply chain management system with procurement, order delivery, and finance functionalities, including inventory management for all processed commodities. The project began in the fall of 2006 with plans to make the system live in 2009.

FSA also needs to complete security clearances currently in process for employees involved in the risk assessment process and in inventory management activities.

Select Agents and Toxins. APHIS needs to implement its new procedures for inspecting registered entities in possession of select agents and verify that these entities conduct and document annual performance tests of their security plans; and update those plans based on the results of performance tests, drills, or exercises. APHIS also needs to verify that adequate security is maintained over select agent inventories. Registered entities need to be re-inspected to ensure compliance with regulations, using formal written procedures to ensure that the inspections are consistent and thorough.

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

Controls Over Permits To Import Agricultural Products. APHIS needs to develop timeframes for full implementation of permit tracking capabilities and the ability to track permit activity at the ports of entry for nationwide analyses; issue instructions, both to Plant Protection and Quarantine personnel at the plant inspection stations and CBP personnel at other locations, for screening regulated materials; and ensure that all permits and labels that accompany shipments are accountable documents.

AI Surveillance Activities. APHIS needs to revise its Response Plan to include detailed instructions for handling HPAI occurrences in live bird market systems and other "off-farm" environments. In addition, APHIS needs to coordinate with other USDA agencies and States to develop and formalize producer notification and action procedures when an outbreak of AI occurs, including identification of the roles and responsibilities of personnel involved, specific timeframes for action, and linkage to the standard operating procedures set forth in the Response Plan. The current program for State plans is limited to Low Pathogenic AI (LPAI) initial State response. While the focus of these plans is LPAI, many of the actions and responses are equally applicable and can be used for HPAI situations. APHIS agreed to provide additional guidance in the next major revision of the HPAI National Response Plan in 2008.

In order to ensure USDA's readiness to respond to a pandemic, USDA should establish a control mechanism to accurately report information on assigned tasks, provide HSC with corrected information for the inaccurately reported tasks, and monitor support tasks and coordinate with HSC. In addition, USDA needs to develop plans for testing the tasks that have not been tested and formalize procedures to update its notification Web site. Further, APHIS needs to immediately assign responsibility to finalize corrective actions set forth in our prior report.

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

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

SUMMARY: In 2005, OIG removed the challenge for Civil Rights (CR) from the list of management challenges facing the Department. The premise behind the challenge was that complaints had not been timely addressed and there had been a backlog of old complaints. Two reports issued in 2005 documented that the Assistant Secretary for Civil Rights (ASCR) had developed 13 initiatives to address these longstanding problems, including the backlog. In a report issued in May 2007, however, OIG found that although CR's (now known as the Office of Adjudication and Compliance) processing time to complete a case has fallen from 3 years in 1997 to slightly under 1.5 years in 2006, its efforts have not been sufficient to ensure that employee civil rights complaints are effectively tracked and timely processed. This could reduce the public's confidence in USDA's ability to administer civil rights programs. As a result, OIG reinstated this challenge in 2007.

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

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

ACTIONS NEEDED TO ADDRESS THE CHALLENGE: CR should develop a detailed formal plan to process employment complaints timely and effectively in collaboration with the agencies. CR should also implement a monitoring framework to track the processing of complaints and intervene when timeframes are not being met. To strengthen controls over the entry and validation of data in CRES, CR needs to identify the business rules and implement a plan for testing and applying these rules. In addition, CR needs to implement a process for validating the accuracy of information entered in CRES. CR needs to develop procedures to

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[4] In addition to tracking EEO complaints, CRES is also used to track program complaints and alternative dispute resolution matters.

control and monitor case file documentation and organization, including procedures to document which CR divisions or units are responsible for receiving, transferring, filing, and safeguarding documents in the file folder.

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

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

SUMMARY: The agricultural sector plays a major role in the overall U.S. economy, and the availability of global markets for agricultural products is critical to the long-term economic health and prosperity of the food and agricultural sector. Expanding global markets should increase demand for agricultural products and, therefore, lead to greater economic stability and prosperity for America's producers. In the Department's strategic plan for FYs 2002 through 2007 and for FYs 2007 through 2010, increasing export opportunities for U.S. agriculture was listed at the top of the Department's strategic goals. Between 1990 and 2006, the dollar value of U.S. agricultural exports rose by 56 percent (from $59.4 billion to $92.7 billion), but due to larger export gains by foreign competitors, the U.S. market share of global exports declined by 31 percent over the same period. In 1990, the U.S. market share was 14.3 percent; by 2006, it had declined to 9.8 percent. For 2008, the Department has boosted its forecast for U.S. agricultural exports to $108.5 billion. Over the past 2 years, U.S. agricultural exports have increased significantly in total dollars due to adverse weather conditions in other major agricultural production areas, a decline in the value of the U.S. dollar, developing countries (like China and India) having more income to purchase foods, etc. According to a USDA forecast and a recent Federal Reserve study, continued growth in U.S. agricultural exports would be dependent on increasing the level of agricultural exports involving high-value or processed products.

The Department needs to develop a global trade strategy to effectively and proactively address the increasing export opportunities as well as competition in global markets. In our recent report on the Department's implementation of the 2002 Farm Bill trade title provisions, we reported that the Department had not implemented a process to integrate its current country-specific marketing strategies into a focused global strategy to more effectively respond to changing trends in global markets. In another report, we recommended that the Department needs to strengthen its trade promotion programs and outreach efforts.

The share of American crop land devoted to cultivating biotechnology derived or genetically engineered (GE) crops has consistently grown. In 2007, American producers planted around 143 million acres with GE crops, retaining its top world ranking at 50 percent of the total global biotechnology derived acreage, spurred by a growing market for ethanol using GE corn. For agricultural commodities such as soybeans and corn, U.S. production has largely become GE-based. For 2007, GE corn constituted 63 percent of the corn planted, GE cotton constituted 78 percent of the cotton planted, and GE soybeans constituted 91 percent of the soybeans planted. American farmers will be facing increasing competition from GE crops grown abroad. Between 1996 and 2007, worldwide growth in GE planted acreage has sustained a double-digit growth rate. In 2007, the number of countries planting GE crops has increased to 23.

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

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

The threat of inadvertent release and incorporation of GE crop traits that are regulated or not approved for human consumption into agricultural commodities can have a potentially devastating impact on American agricultural exports. For example, the discovery of unapproved GE traits in certain rice varieties in 2006 destabilized U.S. rice exports and resulted in the closing of markets in the European Union and other major importers of U.S. rice. The overall cost to the industry, estimated at $1.2 billion, included losses up to $253 million from food-product recalls in Europe, U.S. export losses of $254 million in the 2006-2007 crop year, and future export losses of $445 million. A spokesperson for the U.S. Rice Federation characterized the incident as "certainly the most significant event in the history of the U.S. rice industry." However, due to high market prices and limited availability of non-GE crops, some major importers of American grains have recently had to purchase and import GE crops.

USDA faces significant challenges not only in monitoring and providing oversight to field trials of such crops (to preclude inadvertent release to other crop production), but also in promoting trade of all American agricultural commodities, overcoming trade barriers in well-established markets, educating the public not only domestically but abroad to the safety concerns and benefits of agricultural biotechnology, coordinating the regulatory frameworks for release of GE crops, conducting outreach efforts abroad as to the safety of America's GE crops, and cultivating new markets more receptive to importing biotech crops.

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

OIG AUDIT/INVESTIGATION ACTIONS:

Strengthening Controls Over Field Trials. During our review of USDA's monitoring of GE-regulated crops, we evaluated how USDA issues genetically engineered organism (GEO) release notifications and permits, which are required to ship or field test regulated GEOs. We found that the Department needs to strengthen its controls over the entire process, from how it handles permit and notification applications to how it oversees the devitalization of GE crops under approved notifications and permits. We have accepted management decision on all recommendations in the audit report. On many of these recommendations, we accepted management decision based on the Department's interim actions incorporating our recommendations. The Department's long-term corrective action is to issue revised regulations for GE field releases in a final rule in the *Code of Federal Regulations* (C.F.R.) and to issue policies and procedures in a revised users guide. The Department currently anticipates it will release the agreed-to changes as a final rule in the C.F.R. by December 2009.

Implementation of the Trade Title of the 2002 Farm Bill. During this review, we found that the Department had implemented most of the 2002 Farm Bill amendments relating to trade programs, except that it had not developed a business process to ensure that the Global Market Strategy requirements of the Farm Bill are being met on a global level. Specifically, the Department needed to coordinate its resources and programs with those of other Departments to identify opportunities for agricultural exports and to remove trade barriers. Also, although the Department had reported that it had met the Farm Bill's mandate to direct at least 35 percent of the agency's export credit dollars to high-value and processed products, we found that this determination was based on product classifications that were inconsistent with existing definitions.

Strengthening Trade Promotion Operations. This review, which was initiated in response to a request from Congress, examined the extent to which the Department—through its market development programs—fosters expanded trade activities in the exporting of U.S. agricultural products. We found that the Department does not formally track its efforts to expand trade activities in exporting U.S. agricultural commodities or outreach to U.S. exporters. The Department has relied on its traditional industry trade groups and other partners to disseminate the information to foster trade activities.

In our ongoing review of the export of GE crops, we are assessing USDA's role in the export of GE crops, particularly in developing a strategy to remain competitive in the global agricultural market.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: We have accepted management decision on all recommendations concerning the oversight of GE crops. To address the recommendations, the Department has stated that it is eliminating the current notification-and-permit system in favor of a multi-category permit system and that the proposed system needs to be published in the *Federal Register* and commented on before being finalized. APHIS hopes to complete this process by late 2009. The Department also agreed to implement interim corrective actions, pending the issuance of the final rule; to clarify some reporting requirements and terms, which would be incorporated into the final rule; and to complete work on the management information system and ensure that it is capable of recording necessary information related to field sites, including the specific location of each field site and the dates of significant events.

With respect to the implementation of the trade title of the 2002 Farm Bill, the Department stated that it has undertaken several initiatives to support the development, implementation, monitoring, and evaluation of a USDA global strategy. Specifically, the Foreign Agricultural Service (FAS) initiated a comprehensive review and reorganization of its mission and operational structure with an aim to enhance the competitiveness of U.S. agricultural producers and to be in line with USDA's strategic objectives. Starting in 2006, FAS introduced a process to develop an integrated strategy to synthesize not only priorities from within the agency and the Department, but also from private sector stakeholders and other non-Government entities, other Governments, and multilateral organizations. Through such a process, FAS hopes to link the priorities of all stakeholders to USDA goals and objectives, and from there to produce a truly global strategy. The Department proposed that the 35-percent threshold involving high-value and processed commodities be eliminated with the new Farm Bill and the 2008 Farm Bill did not extend this provision.

In its response to our trade promotion report, the Department stated that it has begun to catalogue the existing information and reporting systems that support the mission to expand U.S. agricultural exports. The Department also stated that it will be reviewing the mechanisms needed to support existing Government Performance and Results Act reporting related to market access issues. The Department is in the process of completing its review of other data and reporting mechanisms. In May 2008, FAS issued a customer survey to solicit feedback from its stakeholders and plans to utilize the survey results in refining its information and reporting systems available to its stakeholders.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE: In its response to our Farm Bill Trade Title report, FAS expressed general disagreement with the conclusions reached, citing the use of questionable data and "misunderstandings or misrepresentations" of the export strategies used to make funding decisions for market access programs. Regardless of the data used, there is a trend of steadily declining U.S. market share. USDA should—in consultation with Congress—analyze and reassess its strategic goals and marketing strategies as a whole in order to regain, to the extent possible, U.S. competitiveness in global agricultural exports. To better promote the export of agricultural crops, USDA needs to develop a coordinated and consolidated global market strategy, including guidelines and strategies to deal with countries reluctant to import GE crops and to open new markets willing to import American agricultural products, particularly high-value and processed products. Although the Department is developing an integrated strategy, that strategy to be effective needs to incorporate a regional and global level in addition to the country level.

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

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

SUMMARY: In recent years, the average costs to fight wildfires have exceeded more than $1 billion per year. In 2007, FS spent $1.375 billion for wildland fire suppression. From FYs 1998 to 2007, FS suppression costs averaged $994 million annually (adjusted for inflation). FS efforts to contain firefighting costs are affected by several issues: climate change, the increase in hazardous fuels occurring on Federal lands, and the population growth in rural communities in the wildland urban interface (WUI). Addressing these key issues is critical if FS is going to be successful in reducing both the severity of wildland fires and the cost of fighting these fires. An additional challenge facing FS is fire safety; as the intensity of fires increases and the agency is called upon to suppress fires in urban areas, the dangers to firefighters have increased.

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

Our audit of FS' *Implementation of the Healthy Forest Initiative* evaluated the agency's efforts to reduce hazardous fuels on Federal land. Deteriorating forest health has resulted in the unnaturally heavy accumulation of hazardous fuels. While FS' 2008 budget for hazardous fuels reduction is $291 million, it has been estimated that hazardous fuels are accumulating at three times the rate that they can currently be treated. FS has allocated hazardous fuel reduction funds based, in part, on historical funding allocations and accomplishing the most acres of treatment. These factors do not necessarily address areas that may have the most risk of major wildfires. Treatment of high-risk areas may cost more for fewer acres, but it may do more to reduce the potential for catastrophic fires than treatment of a large number of acres. FS needs to change its funding approach for fuel-reduction projects to recognize the potential risk to forest resources and private property. This will help ensure that the limited funds are better targeted to reduce the potential for catastrophic fires.

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Our audit of FS' *Implementation of the Healthy Forest Initiative* evaluated the agency's efforts to reduce hazardous fuels on Federal land. Deteriorating forest health has resulted in the unnaturally heavy accumulation of hazardous fuels. While FS' 2008 budget for hazardous fuels reduction is $291 million, it has been estimated that hazardous fuels are accumulating at three times the rate that they can currently be treated. FS has allocated hazardous fuel reduction funds based, in part, on historical funding allocations and accomplishing the most acres of treatment. These factors do not necessarily address areas that may have the most risk of major wildfires. Treatment of high-risk areas may cost more for fewer acres, but it may do more to reduce the potential for catastrophic fires than treatment of a large number of acres. FS needs to change its funding approach for fuel-reduction projects to recognize the potential risk to forest resources and private property. This will help ensure that the limited funds are better targeted to reduce the potential for catastrophic fires.

Other audits that we have recently completed related to fire-suppression activities concluded that FS needed to improve its controls over the use of firefighting contract crews and the use of Emergency Equipment Rental Agreements (EERA). The audit related to contract crews concluded that significant improvements were needed in safety training for these crews. Our review of EERA found that by using a combination of best practices, FS can lower costs for equipment and supplies it obtains through the EERA process. Our audit of *FS' Air Safety Program* determined the agency needed to make improvements in its program. Primarily, FS needed to develop and implement an airworthiness assessment, inspection, and maintenance program geared towards the particular demands of the firefighting flight environment.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: In response to audit recommendations, FS has implemented policies and procedures designed to contain wildfire-suppression expenditures and to increase accountability for suppression operations. FS has developed new strategic performance measures and increased the emphasis on cost accountability. Also, FS has increased the level of management oversight on large fires and initiated significant changes in its wildfire cost-containment reviews. The agency has implemented a formal training program for personnel who conduct cost-containment reviews with the emphasis focusing on cost drivers and the impact of fire-suppression strategies. For 2008, FS has worked with other land management agencies to establish an inter-agency set of standards for reviewing costs of large wildfires. Incident commanders will have performance standards that assess whether the tactics employed represented cost-effective use of resources. FS is also placing more emphasis on wildland fire use (WFU). Also, FS practices will allow managers to switch between suppression tactics and WFU as each situation evolves. In the past, once a strategy of suppression was chosen the manager was not allowed to change even if the situation warranted. FS is developing a fire program system to economically allocate resources and a LANDFIRE[5] system to provide data to use in order to target fire and resource projects more effectively.

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

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

CHALLENGE: IMPROVED CONTROLS NEEDED FOR FOOD SAFETY INSPECTION SYSTEMS

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

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

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

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

In our 2004 audit of application controls for the Performance-Based Inspection System (PBIS), we evaluated the adequacy and effectiveness of FSIS controls over the input, processing, and output of PBIS data. PBIS is a software application designed by FSIS to manage its HACCP inspection assignments, specific inspection procedures, and data reporting. We found that FSIS had not implemented adequate controls to ensure the integrity of PBIS data and concluded that this ultimately could affect FSIS' ability to adequately manage its inspection activities.

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

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

In FSIS' February 2007 proposal to proceed with risk-based inspection, it based risk assessments of processing establishments predominately on data contained in its information systems. In May 2007, Public Law 110-28[6] prevented FSIS from using funds to implement risk-based inspection in any location until OIG studied the program, including the data in support of its development and design, and FSIS addressed and resolved the issues identified. In our December 2007 report, we identified that the data were limited and we questioned whether FSIS had the systems in place to provide reasonable assurance that risk can be timely or fully assessed, given that FSIS lacks current, comprehensive assessments of establishments' food safety systems.

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

On January 30, 2008, the Humane Society of the United States released a video showing the mistreatment of non-ambulatory (downer) cows at a California slaughterhouse. The video shows plant workers abusing cattle in an effort to force them to their feet for slaughter. We are currently conducting an investigation into this matter to determine whether there were violations of the Federal Meat Inspection Act. We are also conducting an audit to determine what inspection controls/processes may have broken down and whether the events at the slaughterhouse are isolated or systemic. We will evaluate the adequacy of pre-slaughter controls

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

and determine whether improvements are needed to identify and prevent similar concerns from occurring elsewhere.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: FSIS developed and recently implemented a management control system intent to provide multi-layered management oversight of its inspection activities. FSIS has focused on strengthening supervisory oversight of its in-plant inspection personnel through the use of IPPS. FSIS has also recently implemented AssuranceNet, a Web-based system, which will pull inspection data from five databases to facilitate analysis. The goal of AssuranceNet is to allow FSIS to monitor the agency's inspection activities.

FSIS provided written procedures and guidance on the use of the AssuranceNet system to ensure that its data are being used in the most effective manner and to allow the system to be used in the context of a larger management control structure.

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

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

PHIS is being developed, in part, to predict hazards and vulnerabilities, communicate or report analysis results, and target resources to prevent or mitigate the risk of food-borne illness and threats to the food supply. Another planned key benefit of PHIS is the ability to exchange data with key external stakeholders—organizations that FSIS has no current electronic connection with, but with which future interfaces are essential in order for the agency to satisfactorily perform its mission and to operate within the law. Such organizations would include DHS-CBP.

Other key goals of PHIS are to build a Domestic Inspection Module for use by field inspectors and Headquarters staff and predictive models to analyze real time data. In November 2007, in response to our audit of the agency's risk-based inspection program, FSIS informed us that the domestic module is targeted for implementation by selected users in June 2008; a predictive analytics and modeling component will be deployed around the same time. In July 2008, FSIS officials explained that the testing phase of PHIS is scheduled for the third quarter of 2009, and production readiness is scheduled for the fourth quarter of 2009. According to FSIS officials, the high level milestones for PHIS have not changed and are currently on track.

Additionally, OIG investigations staff, in coordination with FSIS, is planning program-related training. This program training focuses on subject matter relating to adulterated meat and poultry products. The training covers topics such as management, processing, and investigative techniques related to food safety investigations.

ACTION NEEDED TO ADDRESS THE CHALLENGE: FSIS should complete its plan for improving the use of food safety assessment-related data and determine how the assessment results will be used in estimating establishment risk. As the agency moves forward with the development and implementation of a risk-based inspection program, FSIS should ensure that components of the selected algorithm are thoroughly documented and evaluated with limitations mitigated and are transparent (i.e., clear and understandable) to all stakeholders. The agency should conduct analyses to support the data windows selected for assessing an establishment's ability to control risk. FSIS should also institute appropriate oversight and control over the development of critical IT systems needed to support risk-based inspection. In various sections of the risk-based inspection report, we have recommended actions aimed at strengthening FSIS' training programs for its supervisory and inspection personnel.

FSIS should develop and implement procedures to ensure sufficient, timely followup work is performed in response to findings in food safety assessments. FSIS should continue with efforts begun during the course of our audit to prioritize and schedule food safety assessments. FSIS should also continue its efforts to complete a comprehensive, agency-wide examination of its information needs and establish a process for periodically reassessing these needs. This will include management controls to identify the specific types of information to collect, the standard reports to produce, and analyses to perform by program areas and district offices. FSIS should continue its increased diligence to resolve prior audit recommendations.

In addition, FSIS needs to implement procedures to ensure that IPPS data being input to AssuranceNet are properly supported, and to strengthen AssuranceNet's monitoring over the IPPS process.

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In addition, FSIS needs to implement procedures to ensure that IPPS data being input to AssuranceNet are properly supported, and to strengthen AssuranceNet's monitoring over the IPPS process.

CHALLENGE: IMPLEMENTATION OF RENEWABLE ENERGY PROGRAMS AT USDA (*New Challenge*)

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

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

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

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

OIG AUDIT/INVESTIGATION ACTIONS: USDA does not have a renewable energy strategy for all agencies and programs within the Department. Such a strategy should include program goals for agency managers, a detailed course of action to accomplish those goals, and measures to evaluate performance. In March 2008, the Department issued a strategy related to research, education, and extension services. However, that strategy does not include agencies and programs that fund renewable energy commercial projects. Without a strategy that includes all agencies and programs within the Department, agency managers independently determine funding priorities, develop selection criteria, and assess the impact of renewable energy projects. Consequently, agency managers for programs that do not receive funds directly appropriated for renewable energy activities may have not placed sufficient emphasis on energy projects. Program managers have not analyzed proposed energy related projects to identify those that would provide the most benefit for funds expended (i.e., return on investment).

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

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

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

ACRONYMS USED IN THIS DOCUMENT

AI	avian influenza
AIP	approved insurance provider
APHIS	Animal and Plant Health Inspection Service
AQIM	Agricultural Quarantine Inspection Monitoring
ARPA	Agricultural Risk Protection Act of 2000
ASCR	Assistant Secretary for Civil Rights
C.F.R.	Code of Federal Regulations
CBP	Customs and Border Protection
CDP	crop disaster programs
CEAP	Conservation Effects Assessment Project
CIMS	comprehensive information management system
CR	Civil Rights
CRES	Civil Rights Enterprise System
CSP	Conservation Security Program
CTR	Currency Transaction Reports
DAR	Data At Rest
DHS	Department of Homeland Security
EEO	equal employment opportunity
EERA	Emergency Equipment Rental Agreements
FAS	Foreign Agricultural Service
FEMA	Federal Emergency Management Agency
FS	Forest Service
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
FTE	full time equivalents
FY	fiscal year
GAO	Government Accountability Office
GE	genetically engineered
GEO	genetically engineered organisms
HACCP	Hazard Analysis and Critical Control Point
HHS	Health and Human Services
HIP	Hurricane Indemnity Program
HPAI	highly pathogenic avian influenza
HSC	Homeland Security Counsel
HSO	[USDA] Homeland Security Office
IPIA	Improper Payments Information Act of 2002
IPPS	In-Plant Performance System
IT	information technology
LPAI	low pathogenic avian influenza
NCFD	National Computer Forensic Division
NRCS	Natural Resources Conservation Service
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
PAR	Performance and Accountability Report
PBIS	Performance-Based Inspection System
PEIS	Program Evaluation and Improvement Staff
PHICP	Public Health Information Consolidation Project
PHIS	Public Health Information System
PII	personally identifiable information
RD	Rural Development
Response Plan	National Avian Influenza Preparedness and Response Plan
RHS	Rural Housing Service
RMA	Risk Management Agency
SPPA	Strategic Partnership Program Agroterrorism Initiative
SWCD	Soil and Water Conservation District
T&E	Transportation and Exportation
USDA	U.S. Department of Agriculture
WFU	wildland fire use
WRP	Wetland Reserve Program
WUI	wildland urban interface

Appendix B—Improper Payment and Recovery Auditing Details

Since 2000, agencies have reported efforts to reduce erroneous payments through the Office of Management and Budget's (OMB) Circular A-11. Under the Improper Payments Information Act (IPIA), executive agencies must identify any of its programs that may be susceptible to significant improper payments, estimate the annual amount of improper payments and submit those estimates to Congress. Section 831 of the Defense Authorization Act requires recovery auditing. In this process, agencies entering into contracts worth more than $500 million in a fiscal year must execute a cost effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. In FY 2005, Eliminating Improper Payments became a President's Management Agenda (PMA) initiative. On August 10, 2006, Government-wide guidance was consolidated into OMB Circular A-123, Management's Responsibility for Internal Control, Appendix C. Under this guidance, USDA has 5 programs required to report under Section 57 of A-11 and has identified an additional 11 at risk of significant improper payments through the risk assessment process.

For the fourth quarter of FY 2008, USDA achieved "green" for both progress and status on the Eliminating Improper Payments PMA initiative. Accomplishments this year include:

- Completed risk assessments for all programs;
- Developed plans to measure improper payments for all high risk programs, and received OMB approval;
- Developed corrective action plans to reduce improper payments and established both reduction and recovery targets (where appropriate) for the high risk programs; and
- Fully complied with reporting standards.

USDA's improper payment rate of 6.13 percent for FY 2008, was similar to the 6.11 percent rate reported for FY 2007. The estimated improper payments amount of $4.1 billion for FY 2008 is a reduction from the $4.4 billion estimated for FY 2007. The 2008 results demonstrate that improper payments are being reduced and consistent progress is being made:

- Seven USDA high risk programs, accounting for 58 percent of USDA's total reportable outlays, reported error rates below their reduction targets in FY 2008. This meets the new Green score criteria of achieving reduction targets for 50 percent or more of the agency's total reportable outlays.;
- NRCS' Farm Security and Rural Investment Program error rate of 0.00 percent was below its reduction target of 0.40 percent;
- FS' Wildland Fire Suppression Management Program error rate of 0.02 percent was below its reduction target of 0.90 percent;
- FNS' Food Stamp Program (FSP) error rate of 5.64 percent was below its reduction target of 5.80 percent. The FSP error rate is a historic low for the program and is the 4th year in a row that the FSP error rate has been below 6 percent, long considered the standard for recognition in the program;
- FNS' Child and Adult Care Food Program error rate of 1.56 percent was below its reduction target of 1.64 percent;
- FSA's Marketing Assistance Loan Program error rate of 1.76 percent was below its reduction target of 7.00 percent;
- FSA's Milk Income Loss Contract Program error rate of 0.21 percent was below its reduction target of 2.00 percent; and
- FSA's Miscellaneous Disaster Programs error rate of 3.13 percent was below its reduction target of 5.00%.

In 2008, OIG removed improper payments from the list of Departmental management challenges based on the strategies implemented and progress made by the Department and the agencies with high risk programs. OIG noted that agencies have taken steps to accurately estimate the rate of improper payments and made significant improvements in internal controls and payment processes. Also noted was FSA's decrease in improper payments from $2.9 billion in FY 2006 to $563 million in FY 2007 (a decline from 11.2 percent to 2.5 percent).

USDA has established improper payment recovery targets, where appropriate, and actively collects recoveries. USDA's total improper payment recoveries of $138.3 million reported for FY 2008 exceeded the Departmental recovery target of $68.3 million. USDA continues the contract payments recovery auditing program covering eight agencies. Since 2005, USDA agencies have recovered $1.1 million in contact payments identified for recovery.

USDA's goal is to continue to achieve Green for both status and progress in FY 2009. An additional goal for 2009 is to achieve results which will allow 1 or more of USDA's 16 programs to be removed from the high risk list. These goals are based USDA's previous accomplishments, planned corrective actions in progress, and established improper payment reduction and recovery targets.

OMB provided a reporting template for IPIA in OMB Circular A-136. The template requires responses to specific issues. USDA's response to these issues follows.

I. Describe your agency's risk assessments, performed subsequent to compiling your full program inventory. List the risk-susceptible programs identified through your risk assessments.

OCFO issued detailed guidance for the risk assessment process including templates and extensive reviews of drafts. Programs with larger outlays were required to perform more detailed assessments than smaller programs. For USDA's largest programs, the risk assessment process required the following:

- The amount of improper payments needed to meet the reporting standards;
- A description of the program including purpose and basic eligibility requirements;
- Definition of improper payments specific to the program;
- Program vulnerabilities linked to improper payments;
- Internal controls designed to offset the program vulnerabilities;
- Internal controls testing for selected programs;
- Listing of significant reviews and audits;
- Final determination of risk level;
- Planned future enhancements (optional); and
- Description of how improper payments are recovered (optional).

USDA has identified the following 16 programs as susceptible to improper payments.

Selection Methodology	Agency	Program
Section 57 of OMB Circular A-11	Farm Service Agency (FSA), Commodity Credit Corporation (CCC)	Marketing Assistance Loan Program (MAL)
	Food Nutrition Service (FNS)	Food Stamp Program
		National School Lunch Program (NSLP)
		School Breakfast Programs (SBP)
		Special Supplemental Nutrition Program for Woman, Infants and Children (WIC)
USDA Identified as Susceptible to Significant Improper Payments	Farm Service Agency (FSA), Commodity Credit Corporation (CCC)	Milk Income Loss Contract (MILC) Program
		Loan Deficiency Payments (LDP)
		Direct and Counter-Cyclical Payments (LCP)
		Conservation Reserve Program (CRP)
		Miscellaneous Disaster Programs (MDP)
		Noninsured Assistance Program (NAP)

Selection Methodology	Agency	Program
	Food Nutrition Service (FNS)	Child and Adult Care Food Program (CACFP)
	Forest Service (FS)	Wildland Fire Suppression Management (WFSM)
	Rural Development (RD)	Rental Assistance Program (RAP)
	Risk Management Agency (RMA)	Federal Crop Insurance Corporation (FCIC) Program Fund
	Natural Resources Conservation Service (NRCS)	Farm Security and Rural Investment Program (FSRIP)

II. Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.

Agency	Program	Sampling Process
FSA/CCC	Marketing Assistance Loan Program (MAL)	A statistical sample of high risk programs is conducted by the Farm Service Agency's (FSA) County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS). Testing is conducted using statistically sound samples drawn from the total population of program payments being tested. A professional statistician, under contract to FSA, is used to design the sampling approach, define the sample size and identify the sample items. Sample size is chosen to achieve a 95 percent confidence level. Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. County offices (COFs) making payments for the target program are selected in the first stage and individual payments made or contracts reviewed by COFs are selected in the second stage. That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. The CORP staff visits each of the COFs shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. The CORP reviewers use a list of program division provided criteria that is drawn from legal and program administrative guidance. Findings of non-adherence to the criteria related to the individual contracts or payments in the sample will identify potential improper payments made. The results of that review are summarized and submitted to the CORP national office staff to be analyzed by the contractor statistician. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the COFs and completed the actual review of documents
FNS	Food Stamp Program (FSP)	Statistical sampling Each month, States select a statistically random sample of cases from a universe of all households receiving FSP benefits for that given month. Most States draw the samples using a constant sampling interval. There are some which employ simple random and/or stratified sampling techniques. Required annual sample sizes range from 300 for State agencies with small FSP populations to more than 1,000 for larger States. The average is approximately 950 per State. States are required to complete at least 98 percent of selected cases deemed to be part of the desired FSP universe. Federal sub-samples are selected systematically by FNS from each State's completed reviews. These sample sizes range from 150 to 400 per State. Error Rate Calculation The National payment error rate is calculated using a multi-step process: • Each State agency conducts quality control (QC) reviews of the monthly sample of cases. The QC review measures the accuracy of eligibility and benefit determinations for each sampled case against FSP standards. State agencies are required to report to FNS the findings for each case selected for review. • FNS then sub-samples completed State QC reviews and re-reviews selected individual case findings for accuracy. Based on this sub-sample, FNS determines each State agency's official error rate using a regression formula. • The national payment error rate then is computed by averaging the error rate of the active cases for each State weighted by the amount of issuance in the State.

Agency	Program	Sampling Process
FNS	National School Lunch Program (NSLP)	USDA makes use of periodic studies to assess the level of error in program payments because detailed information on the circumstances of the National School Lunch Program (NSLP) and School Breakfast Program (SBP) participating households are not collected administratively. The current study – NSLP/SBP Access, Participation, Eligibility and Certification (APEC) Study – makes use of a national probability sample of school food authorities (SFAs), schools, certified students and their households, and households that applied and were denied for program benefits in School Year 2005-06. A stratified random sample of 78 unique public SFAs was selected in the first stage of sampling. Stratification variables included geographic region, prevalence of schools having a School Breakfast Program and those using Provision 2/3, and a poverty indicator. For SFAs that do not have Provision 2/3 schools, three schools, on average, were selected for inclusion in the studying the second stage of sampling. Schools were stratified into two groups: (1) elementary schools and (2) middle and high chools. The school sample included both public and private schools. A total of 264 schools participated in the study (216 non-Provision 2/3 schools, 24 Provision 2/3 schools in their base year, and 24 Provision 2/3 schools not in their base year). For the third stage of sampling, samples of households were selected in 240 of these schools to yield completed interviews for about 3,000 students certified for free and reduced-price meals and 400 denied applicant households. The sample of approved and denied applicant households was augmented by sampling of applications from Provision 2/3 schools in which household surveys were not conducted. Application reviews of about 6,800 students approved for free and reduced-price meals and over 1,000 denied applicants were conducted to estimate the case error rate due to administrative error. Data on counting and claiming errors were collected in all schools selected for application reviews. On randomly selected school days, field staff observed approximately 100 lunch transactions at each of the 245 schools participating in the NSLP as well as 50 breakfast transactions at each of the 218 schools participating in the School Breakfast Program. Cashier error was estimated using information from these meal transactions. Data on school-recorded daily meal totals across all points of sale, aggregated meal counts reported to the district, and total meals submitted to the State Agency for reimbursement were examined to determine claiming errors. To update the erroneous payment rate estimates in NSLP without having to conduct another full round of primary data collection, a series of econometric models were developed that captured the relationship between characteristics of the districts that participated in the APEC study and their estimated rates of certification error. Estimated coefficients from these models were used in conjunction with updated values of district characteristics obtained from the School Food Authorities Verification Summary Reports (Form FNS-742) to predict certification error. Certification error rates were then translated into amounts and rates of erroneous payments in each district. Aggregating the district level estimates produced a national measure of predicted erroneous payments.
FNS	School Breakfast Program (SBP)	The statistical sampling process for this program is similar to the FNS National School Lunch Program (NSLP). See the NSLP description.
FNS	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	FNS plans to continue periodic examinations of WIC certification and vendor error. Certification Error—The 1998 WIC Income Verification Study was designed to provide information on the characteristics of a nationally representative sample of WIC participants in the contiguous United States, certified for WIC during spring 1998. The sample was based on a multi-stage sample design, with 50 geographic primary sampling units (PSUs) selected at the first stage, 79 local WIC agencies selected at the second stage, and 178 WIC service sites selected at the third stage. WIC participants were randomly sampled for the study at the 178 WIC service sites as they appeared for WIC certification. In-person interviews were completed with 3,114 WIC participants at the 178 WIC service sites. The estimate of improper payments comes from a follow-up in-home survey that was conducted with approximately one out of every three persons selected for the in-person interviews. The in-home survey was designed to verify income information through review of household income documents. In-home interviews were completed with 931 respondents. FNS' intent is that the 2008 decennial income verification study will use a similar sampling strategy that provides a nationally representative estimate of erroneous payments within the IPIA-specified precision parameters. The certification error rate will be reported in FY 2009. Vendor Error—The 2005 vendor error study employed a nationally representative probability sample of WIC vendors. A two-stage clustered design was developed to facilitate over-sampling of WIC-only stores. Current lists of authorized WIC vendors were collected from the 45 States plus the District of Columbia that use retail vendors from delivery of benefits. These lists were used to establish the retail vendors for delivery of benefits.

Agency	Program	Sampling Process
		These lists were sued to establish the national sample frame of vendors active during the study period. Geographic Information System software was used to form 365 PSUs in contiguous counties. Most PSUs had at least 80 vendors. The study selected 100 PSUs using probability non-replacement sampling with probabilities proportional to the size of the PSU. About 16 vendors and 4 reserve vendors were selected from each of the 100 PSUs. The final sample size (unweighted) was 1,768 vendors. The study compared the purchase price paid by the compliance buyer with (i) observed shelf prices and (ii) the purchase amount the vendor reported to the State in order to yield estimates of overcharge and undercharge.
FNS	Child and Adult Care Food Program (CACFP)	The national estimate of erroneous payments for the sponsor error component is based on a nationally representative sample of sponsor files for 3,284 Family Day Care Homes (FDCHs) in 91 distinct sponsors in 14 States. Data collectors went to each sampled sponsor with randomly drawn lists of 30 to 90 FDCHs and extracted documents necessary to establish eligibility for reimbursements from the sponsors' files.
FSA	Milk Income Loss Contract Program (MILC)	See the process described in the Marketing Assistance Loan Program (MAL) discussion shown above. The same process was used for this program.
FSA	Loan Deficiency Payments (LDP)	See the process described in the Marketing Assistance Loan Program (MAL) discussion shown above. The same process was used for this program.
FSA	Direct and Counter-Cyclical Payments (DCP)	See the process described in the Marketing Assistance Loan Program (MAL) discussion shown above. The same process was used for this program.
FSA	Conservation Reserve Program (CRP)	See the process described in the Marketing Assistance Loan Program (MAL) discussion shown above. The same process was used for this program.
FSA	Miscellaneous Disaster Programs (CDP)	See the process described in the Marketing Assistance Loan Program (MAL) discussion shown above. The same process was used for this program.
FSA	Noninsured Assistance Program (NAP)	See the process described in the Marketing Assistance Loan Program (MAL) discussion shown above. The same process was used for this program.
FS	Wildland Fire Suppression Management (WFSM)	WFSM employees Monetary Unit Sampling.Transactions coded to the Wildland Fire Suppression Fund (WFSU) are systematically analyzed and reviewed. The population was broken down into three sample groups: • Contracts; • PCMS; • Travel; and • Employee Payroll and Casual Pay Separate statistical samples were selected for each category, using the criteria required by OMB Circular A-123, Appendix C. The samples were selected by systematic random sampling with probability proportional to size (dollar amount). To ensure the validity of the sample design, sample sizes, and measurement methodology, a PhD statistician from the University of New Mexico was consulted. The sample was selected using a 90 percent confidence level, with a precision range of 2.5 percent. Software used for sample selection was SAS 9.1 for Windows. The population was broken down into four categories: Travel, Payroll, Purchase Card Management System (PCMS), and Contracts. Separate statistical samples were selected using the criteria required by OMB. An exception occurred when a transaction met the criteria for an improper payment as defined by the Improper Payment Improvement Act (IPIA). We categorized errors that were improper as errors that were either insufficiently documented or were improperly paid.
RD	Rental Assistance Program	The agency reviewed the sampling plan developed by the U.S. Department of Housing and Urban Development for its studies. It engaged Rural Development (RD) statisticians to prepare a similar plan for this report. This report is based on a review of tenants receiving rental assistance (RA) during FY 2007. The sampling plan consisted of 667 RA payments from a universe of 3,326,352 or .020 percent. The methodology produced a sample with a 99-percent confidence level. This year, the audit unit from the Centralized Servicing Center (CSC) conducted the study rather than the RD field staff that were used in previous years. The study required CSC to evaluate tenant files and income calculations. The universe of rental assistance payments FY 2007 was 3,326,352. The only parameter used to determine the eligible universe was the RA payment. No other data element, such as location, size of property, number of units and availability of other rental assistance (such as Section 8) was a consideration. The statisticians were provided a data extract from the Multi-Family Housing Information System (MFIS). The extract

Agency	Program	Sampling Process
		contained a list of all tenants receiving RA during FY 2007. The data included month of payment, project name, project identifier (case number/project number) and tenant name and unit number. From the data extract, the statisticians selected the sample by a systematic sample technique. Once the sample was identified, a letter was sent to the borrower/management agents that explained the process, provided the list of tenant payments to be reviewed and provided a list of documents that needed to be provided to the Centralized Servicing Center (CSC) for review. The data received from the borrower/management agent was used to compare agency records. The study required CSC to complete the survey for the selected tenant payments. There was to be no substitution of the selected payment and, if the management agent was unable to submit the file, the payment would be considered improper. The survey results for this year are higher than prior years. This is attributable to a more controlled, consistent, and accurate review. Future year surveys will be performed by CSC, which will provide more comparable data on which to measure improvements.
RMA	Federal Crop Insurance Corporation Program Fund	RMA drew 900 random 2004, 2005 and 2006 crop year indemnities to review during 2005, 2006 and 2007. For FY 2008 reporting, RMA sampled and reviewed the 2007 crop year, using those results to replace the 2004 crop year results. This allowed RMA to maintain a running average error rate for the three most recent crop years. RMA will repeat this process for three years to compile 900 random indemnity reviews and build a database that will be used to identify the RMA program-error rate and identify any discernable trends. Samples are drawn by the compliance staff which oversees the compliance review data base and is responsible for data quality control. Limited resources make it impractical to conduct a statistically valid program review each year. Despite these limits, in combination with the National Operations Reviews conducted by RMA compliance personnel, these random reviews of paid indemnities should provide the program with sufficient data to establish an acceptable error rate for the purposes of the IPIA.
NRCS	Farm Security and Rural Investment Program	NRCS determined the universe size of payments for all the programs by using all transactions for FY 2007 entered into the accounting system against general ledger account 4902 and Treasury Symbols 12_1004. Transaction codes (PG, PV, etc) were identified and extracted which represented payments against the individual program Fund codes to create a universe of payments for each individual program. Based upon last year's results and conversations with the individual Program Managers, NRCS projected the anticipated rate of occurrence. This would be the error rate from the previous years sampling factoring in any substantial changes made which mitigates improper payment risk found in prior IPIA efforts, external and internal audits or reviews. NRCS estimated the precision range, i.e. the upper and lower bounds around the estimated rate of occurrence as 5.00% (+/- 2.50%) based upon conversations with the Program Managers. OMB guidance recommended a 90 percent confidence level. However, NRCS used a more rigorous confidence level of 95% for the sample since accounting and financial applications typically use that confidence level. Based upon the four variables above (universe size, anticipated occurrence rate, precision range, and confidence level), we calculated the necessary sample size. Using a random number generator, NRCS selected payments for the sample. For program payments made through ProTracts system, payment amounts were aggregated by payment document number. ProTracts produced a payment transaction for each component of a payment request (NRCS-1245). This resulted in testing of the entire payment instead of a portion and simplifies the research required. A complete copy of the contract file was requested from the field office. The field office was required to verify HEL/WC compliance and obtain AGI compliance documentation from the participant. Headquarters financial management (FMD) personnel audited the contract information against the program's business process using a standard template developed by FMD for each individual program. The template ensured consistency in the reviews and incorporated tests for known causes of improper payments, issues identified by the Program Managers and internal controls implemented as a result of prior internal and external audits and reviews.

III. Describe the Corrective Action Plans for reducing the estimated rate of improper payments. Include in this discussion what is seen as the cause of errors and the corresponding steps necessary to prevent future occurrences.

If efforts are already underway, and/or have been ongoing for some length of time, it is appropriate to include that information in this section.

Agency	Program	Corrective Actions Planned
FSA/CCC	Marketing Assistance Loan program (MAL)	The most significant causes for payments being identified as improper were as follows: • A lien search was not conducted before loan disbursement. • An acceptable acreage report is not on file at time of review. • Lien waiver was not obtained before loan disbursement. • Uniform Commercial Code (UCC-1) was not filed. • The loan quantity is not supported by acceptable documentation. Actions taken or that will be taken to reduce the weaknesses identified are as follows: **a. Broad Scope Actions Taken:** • FSA has committed to reducing improper payments and program weaknesses that contribute to improper payments. • The Agency has taken actions to correct its deficiencies in many areas and has incorporated the priority of reducing improper payments into its strategic planning documents. **b. Actions Already Taken that Impact All Causes of Improper Payments Identified:** The actions taken were completed late in FY 2007 or early FY 2008 so the impact would not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle. • Issued various National Notices to State and COFs providing them with instructions related to training, proper processing of payments, and the new checklist for processing loans. • Provided training on improper payments to field personnel and educate them on the importance of control procedures as well as the potential risks of noncompliance. Training was delivered through various means including in person and via Ag Learn, a Department of Agriculture enterprise-wide learning management system. • Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating. • Completed the CCC-770 MAL, the COF employee certifies that the applicable program provisions have, or have not been met. Handbook 8-LP was amended on December 13, 2006, to include policy that a CCC-770 MAL or CCC-770 eLDP/LDP must be completed for the first five applications processed by each employee before loans or LDPs are disbursed. • Developed a new checklist, the CCC-770 MAL, MAL Checklist, for COF employees to use. FSA implemented a new compliance review process for the 2007 crop year. The new compliance spot check review process allows FSA to (1) conduct a more meaningful and comprehensive spot check/compliance review and; (2) utilize a better mechanism for reporting spot check results. The reporting mechanism will allow the National Office to monitor improper payments discovered as result of a spot check. No deficiencies have been discovered as the result of this improved reporting system. • Training addressing the errors that resulted in improper payments was held along with training for the implementation of the provisions of the Food, Conservation, and Energy Act of 2008. The national training was held in October 2008. **c. Actions That Will be Taken that Impact All Causes of Improper Payments Identified:** • Provide a Notice to State and COFs providing the detail findings discovered during the FY 2008 MAL Statistical Sample including established policy and procedure references for each finding. • In conjunction with the enactment of the Food, Conservation, and Energy Act of 2008, a review of applicable policy and provisions will be conducted. This review will include input from a task force made up of State Program Specialists who will work with National Office staff on the drafting of applicable regulations. In addition, a review of existing policy and procedures to determine program inefficiencies and inadequate program compliance controls will be conducted.

Agency	Program	Corrective Actions Planned
		• Based on sample results, amend the CCC-770 MAL checklist, as appropriate, to ensure that COFs are reminded of the necessary policies and procedures for program compliance. • Contact State Office managers where the majority of improper payments were identified, according to the statistical sample, to determine possible training and/or job aids the State and county staff may need to assist in facilitating compliance to controls. • Re-enforce current program policies regarding program compliance through the issuance of National notices to State and COF personnel.
FNS	Food Stamp Program	**Causes of improper payments** An improper payment occurs when a participating household is certified for too many or too few benefits compared to the level for which they are eligible. This can result from incomplete or inaccurate reporting of income and/or assets by participants at the time of certification. It also can occur from changes subsequent to certification or errors in determining eligibility or benefits by caseworkers. Eligibility worker delays in action or inaction taken on client reported changes also can cause of improper payments. An analysis of the FY 2006 completed statistical sample revealed that approximately 67.75 percent of all variances occurred before or at the most recent certification/recertification. Additionally, 56.70 percent of the errors were State agency caused. About half of the errors (53.65 percent) were income related and caused by client misreporting or the agency misapplying the reported income. Misreporting or misapplying deductions was the second largest source of errors at 29.22 percent. The analysis of the FY 2007 data is scheduled for release in early 2009. **Steps that are (or will be) taken to address specific findings in the last statistical sample** Program regulations require State agencies to analyze data to develop corrective action plans to reduce or eliminate program deficiencies. A State with a high error rate must develop a QC corrective action plan to address deficiencies revealed through an analysis of its own QC data. A State with an excessive error rate will be required to invest a specified amount (depending on its error rate and size) designated specifically to correct and lower its error rate. The State also will face further fiscal penalties if it fails to lower its error rate in a future fiscal year. **Steps that are (or will be) taken to improve the overall control environment and improper payments** FNS, through its regional offices, works directly with States to impart the importance of payment accuracy and correct payments to State leadership. The agency also helps those leaders develop effective corrective action strategies to reduce payment errors. Regional offices provide many forms of technical assistance to States, such as: • Analyzing data; • Reviewing and monitoring corrective action plans; • Developing strategies for error reduction and corrective action; • Participating on boards and in work groups; and • Hosting, attending and supporting payment accuracy conferences. FNS administers a State Exchange Program that provides funds to States to facilitate travel for obtaining, observing and sharing information on best practices and effective techniques for error reduction. Coalitions have been formed among States to promote partnerships, information exchange and collaborative efforts. These efforts address mutual concerns and support development of effective corrective action.
FNS	National School Lunch Program (NSLP)	FNS has worked closely with OMB, Congress, the States, schools, and advocacy partners for two decades to gain a better understanding of erroneous payments, and to develop and implement initiatives to address them: **Strengthened the Certification Process through Legislative Program Reauthorization** FNS worked with Congress to develop the Child Nutrition and WIC Reauthorization Act of 2004 (CNR) to enact program changes that address school meals certification problems. The act strengthened the certification process by: • Requiring food stamp direct certification for free meals in all school districts, and continuing authority for optional direct certification using data from the Temporary Assistance for Needy Families (TANF) and the Food Distribution Program on Indian Reservations (FDPIR); • Simplifying the certification process by requiring a single application for all eligible children in a household; • Requiring eligibility determinations to be in effect for the entire school year; • Modifying verification requirements, and adding authority for optional direct verification of children's eligibility; • Requiring State agencies to conduct additional administrative reviews of school districts with higher rates of error; • Expanding authority for the use of public records for verification of applications; and • Requiring increased efforts to obtain household response to application verification requests; requiring districts with high rates of non-response to verification to target subsequent year verification activity toward error-prone applications.

Agency	Program	Corrective Actions Planned
		FNS is engaged in continuing efforts to fully implement all the provisions of the CNR designed to improve program accountability. **Improved State and Federal Oversight and Technical Assistance** FNS conducted the following to improve oversight and technical assistance: • Since 2004, required annual training for schools on certification and accountability issues; • Secured funding from Congress in 2004 for FNS technical assistance to help State and local partners reduce administrative errors and improve program integrity; • Provided ongoing guidance and training materials to State agencies to improve monitoring of schools; • Since 1995, provided ongoing guidance and training materials to States on the School Meals Initiative (SMI), to help schools improve compliance with program nutrition and menu planning standards in order to increase the accuracy of meal-counting; • Issued a revised Eligibility Manual which contains information on determining students' eligibility for free and reduced price meals under 7 CFR Parts 210 and 220, the National School Lunch Program (NSLP) (including after school snacks and commodity schools) and the School Breakfast Program (SBP); • Revised the Coordinated Review Effort forms and training effort to ensure that performance standards related to meal counting and claiming and serving reimbursable meals are met; and • Issued Pursuant to the Child Nutrition and WIC Reauthorization Act of 2004 (P.L. 108-265), FNS released applications for the third round of Direct Certification/Verification grant funding in FY 2008. These grants are available to State agencies to assist in the implementation of mandatory direct certification, direct verification and other provisions of P.L. 108-265 related to determining eligibility to receive benefits in the National School Lunch and Breakfast Programs. Child Nutrition and Food Stamp State agencies are eligible to apply for funds. P.L. 108-265 provided $9 million for this purpose. Approximately $3.7 million was awarded in Fiscal Year 2006 and $1.7 million in FY 2007; the remaining funds are available to States in FY 2008. **Expanded National Data Collection and Analysis to Inform Policy** FNS conducted the following to collect and disseminate program data: • Initiated an annual measure of administrative errors in the certification process in school year 2004-2005; • As early as the 1990s, tested alternative approaches to the existing school meals certification and verification processes to assess their impact on accuracy and program access; • Highlighted the results of the data collections at numerous briefings with State and Federal partners and Congressional staff; • Published the APEC study, which provides the first comprehensive national estimate of erroneous school meal payments for the PAR, as required by the IPIA. Additionally we are working on developing an appropriate approach to improving the deficiencies noted in the APEC study; and • Published the second annual report, Accuracy of School Food Authorities' (SFAs) Processing of School Lunch Applications – Regional Office Review of Applications (RORA) in May 2007. Covering the year 2006, the publication is part of a series of annual reports assessing administrative errors associated with SFAs approval of applications for free and reduced-price school meals. **Additional Action Planned** FNS proposes to expand training, technical assistance, and other efforts to reduce payment errors that result from operational problems. Planned efforts include: • Working with the National Food Service Management Institute to provide web-based training to States and schools on certification and other accountability issues; • Conducting an additional make-up session of the Coordinated Review Effort (CRE) training that was provided to State reviewers during the third quarter of FY 2008 as a continuation of FNS efforts to improve State agency oversight of local school food authorities that participate in the National School Lunch Program. We anticipate that this training session, which will be held in Alexandria, Virginia, October 27 - 31, 2008, will provide updated information to approximately 80 State agency and Federal reviewers. In addition, later this fall the new CRE Forms and Instructions that were developed by a task group made up of Federal and State staff will be posted to the FNS Web site along with the training materials that were used in the CRE training sessions. Also, the CRE Guidance, which was developed in the early 1990s, will be updated to include current procedures to be utilized during CRE Reviews. State agencies are implementing the CRE procedures that were identified during the training sessions for the 2008-2009 school year; • Emphasizing to State agencies that annual verification data must be used to ensure that corrective action is taken by school districts to address error rates; • Partnering with the School Nutrition Association to coordinate efforts on training and technical assistance to its membership on accountability issues; and

Agency	Program	Corrective Actions Planned
		Pending the availability of funds, FNS will continue the APEC study, which would enable FNS to estimate and measure changes in erroneous payments over time, and would help inform FNS, Congress, the States, and advocacy partners on the development of additional guidance, training, and policy options. For the past two decades, research and evaluation conducted by FNS has suggested that there are potentially significant risks for payment errors in the School Meal Programs. During that time, FNS worked closely with Congress, State agencies, school food authorities, advocacy partners and others to assess and find ways to reduce erroneous payments in the programs. Now that we have a nationally-representative estimate, we are redoubling our efforts and focus on reducing erroneous payments in the programs.
FNS	School Breakfast Program (SBP)	The corrective actions planned for this program are similar to the FNS National School Lunch Program (NSLP). See the NSLP description.
FNS	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	Certification Error: FNS plans to continue periodic examinations of certification error in the WIC Program. The Child Nutrition Act was amended in 1998 to require income documentation for WIC Program applicants in all States. The Final WIC Policy Memorandum #99-4, *Strengthening Integrity in the WIC Certification Process,* February 24, 1999, the WIC Certification Integrity Interim Rule (65 FR 3375, January 21, 2000) and the WIC Certification Integrity Final Rule (65 FR 77245, December 11, 2000) implemented this requirement. The WIC Food Delivery Final Rule (65 FR 83248, December 29, 2000) mandated one-year disqualifications for the most serious participant violations, including dual participation and misrepresentation of income. The WIC Miscellaneous Final Rule (71 FR 56708, September 27, 2006) required State agencies to prevent conflicts of interest such as clinic staff certifying themselves, close friends, or relatives, and also required State agencies to maintain information on participant and employee fraud and abuse. FNS will measure the level of improper payments due to certification error in Fiscal Years 2008-09. Vendor Error: The Child Nutrition Act was amended in 1996 to require the disqualification of WIC vendors who had been disqualified by the Food Stamp Program (FSP), and was amended in 1998 to require permanent disqualification of vendors who had been convicted of trafficking and illegal sales. The WIC/FSP Vendor Disqualification Final Rule (64 FR 13311, March 18, 1999) implemented these requirements and also mandated three-year disqualifications for overcharging and charging for food not received. The WIC Food Delivery final Rule (65 FR 83248, December 29, 2000) mandated nationwide standards for vendor authorization, training, and monitoring. FNS will annually estimate and report improper payments to vendors based on information on vendor investigations routinely conducted by the State WIC Agencies and reported to FNS.
FNS	Child and Adult Care Food Program (CACFP)	CACFP has three distinct parts: Child Care Centers, Adult Day Care facilities and Family Day Care Homes (FDCHs). Overall program funding is provided to state agencies which provide funds to sponsoring organizations to pay for claims for reimbursable meals served at provider sites. Sites can be as large as an institution or as small as a household. Each part of CACFP has its own reimbursement structure. Payments and claim information are transferred among FNS, State agencies, program sponsors and program sites; each such transaction represents a risk for improper payment. Because requirements vary significantly for each different type of program sponsor and site, a full and rigorous assessment of the rate of improper payments is extremely complex. The original plan was to develop a program-wide study which would examine reimbursements for meals served and develop program error measurements that complied with the requirements of the IPIA. Because of the complexities of the program, FNS estimated that it would cost $20 million to measure improper payments at the precision required by IPIA. This amount has not been provided. In lieu of funding for a program-wide measurement, FNS has identified the FDCH component of this program as potentially high risk. FDCHs participate in CACFP through public or private nonprofit sponsoring organizations. FDCH improper payments are most likely caused by sponsor error in determining a participating home's reimbursement tier (*tiering error*) or by FDCH error in reporting the number of meals which are eligible for reimbursement (*claiming error*). Two activities are underway which provide information on improper payments in the FDCH component of CACFP. A third activity was pilot tested during FY 2007. • CCAP—In the spring of 2004, FNS began the Child Care Assessment Project (CCAP). This project was designed to measure the effectiveness of efforts to improve the integrity of CACFP family day care homes and provide information from a broadly representative national sample of sponsors and providers. Over a four-year period, FNS is conducting comprehensive on-site assessments of a sample of participating family day care home sponsors. These assessments are designed to analyze the effectiveness of FNS regulatory and policy initiatives on program performance. They will also offer insights on the control points in the claiming and reimbursement process that most frequently cause or contribute to improper payments. This information will also help to support

Agency	Program	Corrective Actions Planned
		the effort to develop measurement strategies to estimate CACFP erroneous payments pursuant to IPIA. Data collection for this activity has been completed and the final results will be presented in the USDA PAR for FY 2009. • Sponsor error—FNS has developed an annual sponsor tiering error measure and tested it. CACFP sponsors are responsible for determining whether family day care homes receive meal reimbursement at the higher rate (Tier 1) or lower rate (Tier 2). In FY 2007, the second annual data collection was conducted to determine a nationally representative sponsor tiering determination error rate. The findings are reported above. • Claiming error—FNS has identified two potential methods of estimating the risk of claiming error: *1. State data approach*: Use data from State monitoring visits of FDCHs. *2. Sponsor data approach*: Federal staff select a random sample of sponsoring organizations and from each use a random selection of the sponsor's monitoring visits of FDCHs. Both approaches compare the number of participants observed during a monitoring visit to the average number of meals claimed for reimbursement for the meal or snack closest to the time of the visit. FNS pilot tested both approaches in conjunction with the CCAP reviews in FY 2007. The pilot sample size included approximately 220 FDCHs. Results will be available in FY 2008 and will be reported in the following year PAR. FNS has contracted with Mathematica Policy Research, Inc. (MPR) to evaluate the feasibility of four different data collection methods for validating family day care homes (FDCHs) meal reimbursement claims. FNS is currently reviewing the results of MPR's pretest of the four possible data collection methods. The next step is for MPR to conduct a pilot test of the data collection method(s) which are perceived to have the greatest likelihood of producing valid comparison between the true number of reimbursable meals and the number claimed by FDCHs for reimbursement. Results of MPR's evaluation will be available in FY 2009.
FSA	Milk Income Loss Contract Program (MILC)	The four most significant causes for payments being identified as improper were as follows: • Two instances where the contract was not on file; • Six instances where the payment is based on ineligible production; • One case where the changes made to contract were not allowed; and • Two instances where the payee's share is incorrect. Actions taken or that will be taken to reduce the weaknesses identified are as follows: a. Broad Scope Actions Taken: • See the actions described in the Marketing Assistance Loan Program (MAL) shown above. The same actions apply to this program. b. Actions Already Taken that Impact All Causes of Improper Payments Identified: • Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating; • FSA implemented a new compliance review process for Fiscal Year 2007. The new compliance review spot check process allows FSA to conduct a more meaningful and comprehensive spot check/compliance review and utilize a better mechanism for reporting spot check results. The new reporting mechanism allows the National Office to monitor improper payments discovered as a result of a spot check. No deficiencies have been discovered as the result of this improved reporting system; and • In conjunction with training relating to the Food, Conservation, and Energy Act of 2008, training was provided during October 2008, addressing the issues resulting in improper payments. This training was provided to field staff of each state who will in turn train their field personnel on the importance of control procedures as well as the potential risks of noncompliance. c. Actions that Will be Taken that Impact All Causes of Improper Payments Identified: • Provide Notices to State and COFs with the detail findings discovered during the FY 2007 MILC Review including established policy and procedure references for each finding. Remind field offices of the proper filing requirements for contracts and the supporting production evidence required in accordance with program provisions; and • Amend the CCC-770 MILCX checklist, as appropriate, to ensure that COFs are reminded of the necessary policies and steps for program compliance.
FSA	Loan Deficiency Payments (LDP)	The four most significant causes for payments being identified as improper were as follows: 1. Acceptable acreage report is not on file at time of review; 2. The LDP quantity is not supported by acceptable documentation; 3. The Incorrect LDP rate was used; and 4. The LDP application was not on file.

Agency	Program	Corrective Actions Planned
		Actions taken or that will be taken to reduce the weaknesses identified are as follows: a. Broad Scope Actions Taken: See the actions described in the Marketing Assistance Loan Program (MAL) shown above. The same actions apply to this program. b. Actions Already Taken that Impact All Causes of Improper Payments Identified: The actions taken were completed late in FY 2007 or early FY 2008 so would have their impact on the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle. • Issued various National Notices to State and COFs providing them with instructions related to training, proper processing of payments, and the new checklist for processing loans; • Provided training on improper payments to field personnel and educate them on the importance of control procedures as well as the potential risks of noncompliance. Training was delivered through various means including in person and via Ag Learn; • Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating; • Developed a new checklist, the CCC-770 LDP/eLDP, LDP/eLDP Checklist, for COF employees to use. By completing the CCC-770 LDP/eLDP, the COF employee is certifying that the applicable program provisions have, or have not been met. Handbook 8-LP was amended to include policy that a CCC-770 LDP/eLDP must be completed before a loan or LDP is issued. Each employee must complete a CCC-770 eLPD/LDP for the first five applications they process each crop year; • FSA implemented a new compliance review process for the 2007 crop year. The new compliance spot check review process will allow FSA to (1) conduct a more meaningful and comprehensive spot check/compliance review and; (2) utilize a better mechanism for reporting spot check results. The new reporting mechanism will allow the National Office to monitor improper payments discovered as result of a spot check. No deficiencies have been discovered as the result of this improved reporting system; and • National Training addressing the errors that resulted in improper payments was held during October 2008, along with training for the implementation of the provisions of the Food, Conservation and Energy Act of 2008. c. Actions That Will be Taken that Impact All Causes of Improper Payments Identified: • Provide a Notice to State and COFs providing the detail findings discovered during the FY 2008 LDP Statistical Sample including established policy and procedure references for each finding; • In conjunction with the enactment of the Food, Conservation, and Energy Act of 2008, a review of applicable policy and provisions will be conducted. This review will include input from a task force made up of State Program Specialists who will work with National Office staff on the drafting of applicable regulations. In addition, a review of existing policy and procedures to determine program inefficiencies and inadequate program compliance controls will be conducted; • Based on sample results, amend the CCC-770 eLDP/LDP checklist, as appropriate, to ensure that COFs are reminded of the necessary policies and procedures for program compliance prior to issuing payments; • Contact State Office managers where the majority of improper payments were identified, according to the statistical sample, to determine possible training and/or job aids the State and county staff may need to assist in facilitating compliance to controls; and • Re-enforce current program policies regarding program compliance through the issuance of National notices to State and COF personnel.
FSA	Direct and Counter-Cyclical Payments (DCP)	The results of DCP's FY 2008 statistical sample of improper payments were based on FY 2007 DCP payment data. DCP's FY 2008 sample results indicate that the most significant error for FY 2007 DCP payments was that acreage report for all cropland on the farm was not filed before review began. Actions taken or that will be taken to reduce the weakness identified are as follows: **a. Broad Scope Actions Taken:** See the actions described in the Marketing Assistance Loan Program (MAL) shown above. The same actions apply to this program. • FSA implemented a new compliance review process for the 2007 and subsequent crop years. The new compliance spot check review process allows FSA to (1) conduct a more meaningful and comprehensive spot check/compliance review and; (2) utilize a better mechanism for reporting spot check results. The new reporting mechanism allows the National Office to monitor improper payments discovered as result of a spot check. b. Actions Already Taken that Impact Situations where the Payee's Interest in Base Acres on the Farm Did Not Support the Claimed Payment Share: The actions taken were completed late in FY 2007 or early FY 2008 so the impact would not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle.

Agency	Program	Corrective Actions Planned
		• Provided training on improper payments to field personnel and educate them on the importance of control procedures as well as the potential risks of noncompliance. Training was delivered through various means including in person and via Ag Learn, and is being followed up with communications and job aid to help facilitate compliance controls; • Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating; and • Developed a new checklist, the CCC-770 DCP, DCP Contract Checklist, for COF employees to use. By completing the CCC-770 DCP, the COF employee is certifying that the applicable program provisions have, or have not, been met. Handbook 1-DCP was amended on December 11, 2006, to include policy that a CCC-770 DCP must be completed before DCP payment is issued. In addition to the above actions, the following actions were completed in FY 2007 or early FY 2008; therefore the impact will not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle. • Issued Notice PM-2615, FSA Performance Management Program Improper Payments Standard, which provided the new required standard for improper payments. The Notice provided that all Field Office employees who work with Farm Program payments shall have the following standard in the "Program Management", "Execution of Duties", or similar element: • "Successfully completes FSA IPIA training requirements and ensures that agency Corrective Action Plan (CAP) procedures are followed to ensure that payments are accurate and that required payment documentation is up-to-date and on file"; • Issued Notice DCP-182, FY 2007 National CORP Review for Improper Payments for DCP, providing detailed findings discovered during the FY 2007 DCP Statistical Sample including established policy and procedure references for each finding; and • Issued various National Notices to State and County offices re-enforcing current program policies regarding program compliance through the issuance of National Notices. c. Actions That Will be Taken that Impact Situations where the Payee's Interest in Base Acres on the Farm Did Not Support the Claimed Payment Share: • Provide a Notice to State and COFs providing the detail findings discovered during the FY 2008 DCP Statistical Sample including established policy and procedure references for each finding; • Conduct National Farm Bill training to address 2009 DCP policy and provisions; • Re-enforce current program policies regarding program compliance through the issuance of National notices to State and COF personnel; and • Review existing policy and procedures to determine program compliance inefficiencies and eliminate inadequate program compliance controls.
FSA	Conservation Reserve Program (CRP)	The three most significant causes for payments being identified as improper are as follows: 1. Payment amount is incorrect for annual rental payment and calculated cost-share assistance. 2. Original CRP-1 is not on file to support what was loaded through the automated process. 3. Conservation Plan of Operation (CPO) that was on file lacks sufficient information to support the payment. Actions taken or that will be taken to reduce the weaknesses identified are as follows: **a. Broad Scope Actions Taken:** See the actions described in the Marketing Assistance Loan Program (MAL) shown above. The same actions apply to this program; and b. Actions Already Taken that Impact All Causes of Improper Payments Identified. The actions taken were completed late in FY 2007 or FY 2008. • Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating; • Amended checklist, the CCC-770-CRP was replaced with four separate checklists to specifically address the different processes involved with CRP that could impact the type of payment being issued to a participant. The CCC-770-CRP1 checklist is completed during the CRP-1 contract approval process; the CCC-770-CRP2 is completed before a cost-share payment, the CCC-770-CRP3 is completed before the issuance of an annual rental payment, and the CCC-770-CRP4 is completed for contracts with PIP, CP-23, CP-23A, CP-37, and SIP type payments., By completing the CCC-770-CRP, the COF employee is certifying that the applicable program provisions have, or have not been met. The checklists are a tool for employees to use to confirm that all necessary requirements for payment readiness have been completed before payment is issued; • Notice CRP-575 was issued to State and County Offices on November 29, 2007, which specifically identified each FY 2007 CORP finding and the appropriate policy that must be followed to prevent improper payment

Agency	Program	Corrective Actions Planned
		errors. State Executive Directors (SED) and applicable State Office staff developed corrective action plans (CAPs) implementing applicable program procedures required by national notices and program handbooks. National training sessions were held during FY 2008 with SEDs, District Directors, and Administrative Officers to review results of the FY 2007 statistical sample; • FSA implemented a new compliance review process for the 2007 crop year. The new compliance spot check review process will allow FSA to (1) conduct a more meaningful and comprehensive spot check/compliance review and; (2) utilize a better mechanism for reporting spot check results. The new reporting mechanism will allow the National Office to monitor improper payments discovered as result of a producer spot check; and • National Training addressing the errors that resulted in improper payments was held during October 2008 along with training for the implementation of the provisions of the Food, Conservation, and Energy Act of 2008. c. Actions That Will be Taken that Impact the Incorrect Payment Rates: • Provide a Notice to State and COFs providing the detail findings discovered during the FY 2008 CRP Statistical Sample including established policy and procedure references for each finding; • Based on sample results, amend the CCC-770-CRP checklist(s), as appropriate, to ensure that COFs are reminded of the necessary policies and procedures for program compliance; • Contact State Office managers where the majority of improper payments were identified, according to the statistical sample, to determine possible training and/or job aids the State and COF staff may need to assist in facilitating compliance to controls; • Review existing policy and procedures to determine program compliance inefficiencies and eliminate inadequate program compliance controls; • Continuation of training efforts related to improper payments for field personnel to educate them on the importance of control procedures as well as the potential risks of noncompliance. Once completed, the conservation training will consist of two levels and will be conducted through out FY 2008; and beyond if needed. The following criteria is being used by CEPD to identify the level of training needed: Basic Course: This course is strongly recommended for State Office personnel with less than 5 years of State Office Conservation Reserve Program (CRP) experience who possess the basic knowledge, skills, and abilities to administer CRP. The participant will elevate their basic level of understanding of CRP policy and procedures, raising their performance level through practical exercises, case studies, and examples. In order to provide some very efficient CRP training, CEPD will survey State Office program knowledge of CRP policies and provisions. Advanced Course: This course is designed for State Office personnel with 5 years or more of State Office CRP experience that wish to elevate their level of quality for managing and understanding of the CRP within their state. This course will provide advanced CRP policy and procedure training in addition to in-depth area specific training for experienced State Office Conservation personnel; and • Enhancing existing web-based software and retiring legacy systems in order to more closely tie all program payments to a single contract file. This migration will reduce the potential that contract payment documents and records will contain inconsistent or out-of-date information.
FSA	Miscellaneous Disaster Programs (CDP)	The results of Miscellaneous Disaster Programs (Disaster Programs) FY 2008 Statistical Sample for improper payments were based on FY 2007 payment data for the following programs: • Livestock Compensation Program; • Livestock Indemnity Program; • Hurricane Indemnity Program; • Tree Indemnity Program; • Feed Indemnity Program; • Citrus Disaster Program; • Fruit and Vegetable Disaster Program; and • Nursery Disaster Program Each fiscal year's payment data represents different disaster response programs based on authorities provided by legislation passed by Congress. Of the eight disaster programs included in the statistical sample, none are permanent programs. Approximately 92 percent of the payments sampled are limited to hurricane disaster payments that were issued in six states with over 70 percent of the dollars and payments issued in Florida. It is important to note that of the eight disaster programs included in the statistical sample, the majority of improper payments were made under the Nursery Disaster Program. The four most significant causes for payments being identified as improper and the corresponding disaster program(s) that made the improper payments were as follows:

Agency	Program	Corrective Actions Planned
		• Required documentation (other than application) was not provided. This error only applies to the Nursery Disaster Program; • Payment amount is incorrect for reasons other than payee share. This error only applies to the Nursery Disaster Program; • Unauthorized representative signed application. This error only applies to the Nursery Disaster Program and the Hurricane Indemnity Program; and • Application is not on file. This error only applies to the Nursery Disaster Program and the Tree Indemnity Program. Actions taken or that will be taken to reduce the weaknesses identified are as follows: a. Broad Scope Actions Taken: • See the actions described in the Marketing Assistance Loan Program (MAL) shown above. The same s actions apply to this program; and • FSA implemented a new compliance review process for the 2007 and subsequent crop years. The new compliance spot check review process allows FSA to (1) conduct a more meaningful and comprehensive spot check/compliance review and; (2) utilize a better mechanism for reporting spot check results. The new reporting mechanism allows the National Office to monitor improper payments discovered as result of a spot check. b. Actions Already Taken that Impact All Causes of Improper Payments Identified: The actions taken were completed late in FY 2007 or early FY 2008 so the impact would not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle. • Provided training on improper payments to field personnel and educate them on the importance of control procedures as well as the potential risks of noncompliance. Training was delivered through various means including in person and via Ag Learn, and is being followed up with communications and job aid to help facilitate compliance controls; and • Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating. In addition to the above actions, the following actions were completed in FY 2007 or early FY 2008; therefore the impact will not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle. • Issued Notice PM-2615, FSA Performance Management Program Improper Payments Standard, which provided the new required standard for improper payments. The Notice provided that all Field Office employees who work with Farm Program payments shall have the following standard in the "Program Management", "Execution of Duties", or similar element: "Successfully completes FSA IPIA training requirements and ensures that agency Corrective Action Plan (CAP) procedures are followed to ensure that payments are accurate and that required payment documentation is up-to-date and on file." • Issued Notice DAP-271, FY 2007 National CORP Review for Improper Payments for Miscellaneous Disaster Programs, providing detailed findings discovered during the FY 2007 Miscellaneous Disaster Programs Statistical Sample including established policy and procedure reference; • Developed the following new checklists for disaster programs being implemented in FY 2007: – FSA-770 CDP, 2005-2007 Crop Disaster Program Application Checklist; – FSA-770 LCP, 2005/2006/2007 Livestock Compensation Program Application Checklist; and – FSA-770 LIP, 2005/2006/2007 Livestock Indemnity Program Application Checklist. By completing the checklists, the COF employee is certifying that the applicable program provisions have, or have not, been met; • In September 2007, the National Office conducted 2005-2007 Crop Disaster Program National Training for State and COF employees. Training was provided to State and COF personnel on program policy and procedure, and included software training; and • Issued various National Notices to State and County Offices re-enforcing current program policies regarding program compliance through the issuance of National Notices. c. Actions That Will be Taken that Impact All Causes of Improper Payments Identified: • Provide a Notice to State and COFs providing the detail findings discovered during the FY 2008 Miscellaneous Disaster Programs Statistical Sample including established policy and procedure references for each finding; • Contact State Office managers where the majority of improper payments were identified, according to the statistical sample, to determine possible training and/or job aids the State and COF staff may need to assist in facilitating compliance to controls; • Re-enforce current disaster programs' policies regarding program compliance through the issuances of National notices to State and COF personnel; and • Based on the FY 2008 Disaster Programs Statistical Sample results, the National Office will develop a Checklist for any other new miscellaneous disaster program being implemented, if determined necessary.

Agency	Program	Corrective Actions Planned
FSA	Noninsured Assistance Program (NAP)	The six most significant causes for payments being identified as improper were as follows: 1. Notice of loss filed late. 2. Acceptable production evidence is not on file. 3. Acreage report is not on file. 4. CCC-576, Part G is not signed by LA or FSA representative. 5. Notice of Loss lacks sufficient information. 6. Unit yield is not properly calculated. Actions taken or that will be taken to reduce the weaknesses identified are as follows: **a. Broad Scope Actions Taken:** See the actions described in the Marketing Assistance Loan Program (MAL) shown above. The same actions apply to this program. • FSA implemented a new compliance review process for the 2007 and subsequent crop years. The new compliance spot check review process allows FSA to (1) conduct a more meaningful and comprehensive spot check/compliance review and; (2) utilize a better mechanism for reporting spot check results. The new reporting mechanism allows the National Office to monitor improper payments discovered as result of a spot check. The 2007 Compliance review results have been distributed to the appropriate Divisions for review. During the 4th quarter of FY 2008, the Deputy Administrator for Farm Programs will meet with all divisions to analyze compliance review results and determine a plan of action, if needed. b. Actions Already Taken that Impact All Causes of Improper Payments Identified: The actions taken were completed late in FY 2007 or early FY 2008 so the impact would not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle. • Provided training on improper payments to field personnel and educate them on the importance of control procedures as well as the potential risks of noncompliance. Training was delivered through various means including in person and via Ag Learn, and is being followed up with communications and job aid to help facilitate compliance controls; • Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating; and • Developed a new checklist, the CCC-770-NAP, Noninsured Crop Disaster Assistance Program Payment Checklist, for County Office employees to use. By completing the CCC-770-NAP, the County Office employee is certifying that the applicable program provisions have, or have not been met. In addition to the above actions, the following actions were completed in FY 2007 or early FY 2008; therefore the impact will not be realized until review of the FY 2008 payment activity. The FY 2008 payment activity will be sampled as part of the FY 2009 review cycle. • Issued Notice PM-2615, FSA Performance Management Program Improper Payments Standard, which provided the new required standard for improper payments. The Notice provided that all Field Office employees who work with Farm Program payments shall have the following standard in the "Program Management", "Execution of Duties", or similar element: "Successfully completes FSA IPIA training requirements and ensures that agency Corrective Action Plan (CAP) procedures are followed to ensure that payments are accurate and that required payment documentation is up-to-date and on file." • Issued Notice NAP-104, FY 2007 National CORP Review for Improper Payments for NAP, providing detailed findings discovered during the FY 2007 NAP Statistical Sample including established policy and procedure references for each finding; • Contacted State Office managers where the majority of NAP improper payments were identified, according to the statistical sample, to determine possible training and/or job aids the State and COF staff needed to assist in facilitating compliance to controls; • Issued various National Notices to State and County Offices re-enforcing current program policies regarding program compliance through the issuance of National Notices; and • Conducted National NAP Training during October 2008 for State and County office employees that addressed yield calculations. The National office also addressed other significant causes for NAP improper payments at the training session. c. Actions That Will be Taken that Impact All Causes of Improper Payments Identified: • Provide a Notice to State and County Offices providing the detail findings discovered during the FY 2008 NAP Statistical Sample including established policy and procedure references for each finding;

Agency	Program	Corrective Actions Planned
		• Based on sample results, amend the CCC-770-NAP checklist, as appropriate, to ensure that County Offices are reminded of the necessary policies and procedures for program compliance; • Contact State Office managers where the majority of improper payments were identified, according to the statistical sample, to determine possible training and/or job aids the State and county staff may need to assist in facilitating compliance to controls; • Re-enforce current program policies regarding program compliance through the issuance of National notices to State and county office personnel; and • Review existing policy and procedures to determine program compliance inefficiencies and eliminate inadequate program compliance controls.
FS	Wildland Fire Suppression Management	Root cause of improper payment errors appear to be caused by noncompliance with administrative procedures, lack of training and inconsistent processing procedures. • Overpayments: failure to reconcile vendor statement to invoices; • Non-business/personal related charges to Purchase Card Management System (PCMA) card; • Underpayments: late payments and failure to include Prompt Payment interest on PCMS card payments; and • Insufficient documentation was not an issue in FY 2008. Corrective Actions. • Update and clarify policy and procedures and define oversight responsibilities for cardholder; • Issue Guidance on the appropriate use of Travel Card and Purchase Card use under the PCMS program; • Implement stricter monitoring over purchase card transactions with monthly audits; and • Implement internal controls to ensure correct posting of dates to improve timely payments and computation of prompt payment interest.
RD	Rental Assistance Program	Root cause of improper payment errors included: • Incomplete documentation for income verification; • Incomplete documentation for tenant verification; • Tenant certification error; and • Income calculation error. Corrective actions include: • Sent a letter to property management business partners regarding the importance of the IPIA process and the types of errors that were identified. Required industry groups to develop corrective action plans to be undertaken by their members. May 27, 2008; • Implemented a quarterly audit process that will be conducted by CSC on selected states tenant files. July 31, 2008; • Required Agency follow-up for corrective actions on errors found in the FY 2008 improper payments report. July 31, 2008; • Issued an unnumbered letter to the State Offices regarding the findings from the FY 2008 improper payments report. The unnumbered letter required State Offices, with an average error rate of 2% or higher during the past three years, to develop a corrective action plan. The plan will need to include procedures to train field staff, borrowers and property managers in appropriate required documentation and follow-up with tenants and income-verifiers. May 28, 2008; • Added to HB-2-3560, Multi-Family Housing Asset Management Handbook, Chapter 6 – Project Occupancy, a check sheet for property management agents to review when verifying assets, income and adjustments to income and a check list of required tenant file documentation. September 30, 2008; • Developed a “Fact Sheet” for MFH tenants explaining their responsibilities and rights regarding income disclosure and verification. October 31, 2008; and • The National Office will continue to pursue access to the Department of Health and Human Services New Hires database and the Department of Housing and Urban Development’s Enterprise Income Verification System to be shared with State Offices and management agents. Ongoing.
RMA	Federal Crop Insurance Corporation Program Fund	RMA completed the third year of the three-year review cycle established to determine the improper payment rate for the Federal Crop Insurance Program. The strategy for identifying and controlling the error rate includes identifying error trends and policy concerns and correct them, however, as with the first 600 policies reviewed, there are still no definitive trends in the 900 polices completed in 2007. No underlying policy or underwriting issues have become apparent. This is in part due to the diversity of crops being reviewed and suggests it may be several cycles before RMA may amass sufficient numbers of samples on any particular crop to draw meaningful comparisons in the errors identified.

Agency	Program	Corrective Actions Planned
		Data mining is used to create a comprehensive list of producers exhibiting anomalous behavior. The system was developed in partnership between Tarleton State University and Planning Systems Incorporated. It is used to facilitate crop insurance program integrity and deter program abuse. When RMA negotiated and executed the new Standard Reinsurance Agreement (SRA) starting in 2005 it emphasized improved quality controls and enhanced penalties that together should encourage participating companies who sell and service Federal crop insurance policies to improve their improper payments rate. Based on the passage of the most recent Farm Bill, it appears that RMA will have another opportunity beginning with the 2011 reinsurance year to further adjust and improve SRA holder quality control requirements.
NRCS	Conservation Security Program	Despite a zero improper payment rate; we will continue to take actions to address the difficulties realized in successfully completing this audit. Lessons learned has been developed to improve our process. NRCS is including considerations for improper payments in developing and modifying program manuals to implement the new Farm Bill. NRCS has addressed the anticipated adjusted gross income compliance verification for future years and will continue to work with the Farm Service Agency to address these concerns.

IV. Based on the Rate(s) Obtained in Step III, Set Annual Improvement Targets through FY 2010. Improper Payment Reduction Outlook FY 2006 – FY 2010

Below is a summary level table for all high risk programs outlining improper payment rates for the last two years and future reduction targets. When a number cannot be provided, an explanation is provided in the notes below. Amounts represent when the sampling results are reported. USDA programs report results the year following sampling activity. For example, results reported during FY 2008 represent measures of FY 2007 outlays and program activity.

Improper Payment Sampling Results ($ in millions)						
	Results Reported in FY 2007			Results Reported in FY 2008		
Program	Outlays	IP%	IP$	Outlays	IP%	IP$
Marketing Assistance Loan Program, FSA/CCC [Note #12]	6,306	7.52%	458	4,981	1.76%	92
Food Stamp Program, FNS	29,942	5.99%	1,794	30,373	5.64%	1,713
National School Lunch Program, FNS [Note #1]						
Total Program	8,602	16.30%	1,402	8,756	16.55%	1,449
Certification Error	8,602	9.42%	810	8,756	9.67%	847
Counting/Claiming Error	8,602	6.88%	592	8,756	6.88%	602
School Breakfast Program, FNS [Note #1]						
Total Program	2,086	24.94%	520	2,150	25.02%	538
Certification Error	2,086	9.15%	191	2,150	9.23%	198
Counting/Claiming Error	2,086	15.79%	329	2,150	15.79%	339
Women, Infants and Children, FNS [Note #2]						
Total Program	3,598	N/A	N/A	3,950	N/A	N/A
Certification Error Component	3,598	N/A	N/A	3,950	N/A	N/A
Vendor Error Component	3,598	0.69%	25	3,950	0.87%	34
Child and Adult Care Food Program, FNS [Note #2]						
Total Program	2,187	N/A	N/A	2,311	N/A	N/A
FDC Homes – Tiering Decisions	738	1.69%	12	728	1.56%	11
FDC Homes – Meal Claims	738	N/A	N/A	738	N/A	N/A

Improper Payment Sampling Results ($ in millions)

Program	Results Reported in FY 2007			Results Reported in FY 2008		
	Outlays	IP%	IP$	Outlays	IP%	IP$
Milk Income Loss Contract Program, FSA	351	2.17%	8	155	0.21%	0.3
Loan Deficiency Payments, FSA	4,071	0.45%	18	134	0.60%	0.8
Direct and Counter-Cyclical Payments, FSA [Note #3]	9,550	0.37%	37	7,144	0.70%	47
Conservation Reserve Program, FSA [Note #3]	1,851	0.45%	9	1,888	1.25%	24
Miscellaneous Disaster Programs, FSA	368	6.76%	25	154	3.13%	5
Noninsured Assistance Program, FSA	64	13.14%	8	126	14.67%	18
Wildland Fire Suppression Management, FS	1,412	0.95%	13	1,370	0.02%	.2
Rental Assistance Program, RD	855	3.07%	26	887	3.95%	35
Federal Crop Insurance Corporation Program Fund, RMA [Note #4]	2,364	2.68%	63	3,508	4.70%	165
Conservation Security Program, NRCS [Note #5]	227	0.47%	1	1,138	0.00%	0
USDA Total	72,385	6.11%	4,420	67,442	6.13%	4,132

Detailed Breakout of Improper Payment Reported in FY 2008

	Total Payments $ in millions	IP %	Over-Payments %	Under-Payments %	Other %	Incorrect Disbursement %	Incomplete Paperwork %
Marketing Assistance Loan Program, FSA/CCC	4,981	1.76%	1.76%	N/A	N/A	0.19%	1.57%
Food Stamp Program, FNS [Note #6]	30,373	5.64%	4.58%	1.06%	N/A	5.64%	N/A
National School Lunch Program, FNS [Note #1]	8,756	16.55%	12.51%	4.04%	N/A	16.55%	N/A
School Breakfast Program, FNS [Note #1]	2,150	25.02%	21.53%	3.49%	N/A	25.02%	N/A
Women, Infants and Children, FNS [Note #2]	3,950	0.87%	0.35%	0.52%	N/A	0.87%	N/A
Child and Adult Care Food Program, FNS [Note #2]	728	1.56%	1.54%	0.02%	N/A	1.56%	N/A
Milk Income Loss Contract Program, FSA	155	0.21%	0.13%	0.08%	N/A	0.17%	0.04%
Loan Deficiency Payments, FSA	135	.60%	0.50%	0.09%	N/A	0.51%	0.09%
Direct and Counter-Cyclical Payments, FSA	7,144	0.70%	0.65%	0.05%	N/A	0.22%	0.48%
Conservation Reserve Program, FSA	1,888	1.25%	1.21%	0.04%	N/A	1.02%	0.23%

Detailed Breakout of Improper Payment Reported in FY 2008							
	Total Payments $ in millions	IP %	Over-Payments %	Under-Payments %	Other %	Incorrect Disbursement %	Incomplete Paperwork %
Miscellaneous Disaster Programs, FSA [Note #7]	154	3.13%	3.05%	0.08%	N/A	2.52%	0.61%
Noninsured Assistance Program, FSA	126	14.67%	14.20%	0. 47%	N/A	3.29%	11.38%
Wildland Fire Suppression Management, FS	1,370	0.02%	0.01%	0.01%	N/A	.02%	0.00%
Rental Assistance Program, RD	887	3.95%	3.95%	0.0%	N/A	1.97%	1.98%
Federal Crop Insurance Corporation Program Fund, RMA	3,508	4.70%	4.65%	0.05%	N/A	4.70%	N/A
Farm Security and Rural Investment Program, NRCS	1,138	0.00%	0.00%	0.00%	N/A	0.00%	0.00%
USDA Total	67,442	6.13%	4.97%	1.15%	0.00%	5.90%	0.22%

Improper Payment Reduction Outlook ($ in millions)									
	FY 2009 Reporting			FY 2010 Reporting			FY 2011 Reporting		
Program	Outlays	IP%	IP$	Outlays	IP%	IP$	Outlays	IP%	IP$
Marketing Assistance Loan Program, FSA/CCC	4,935	1.65%	81	6,609	1.55%	102	6,454	1.45%	94
Food Stamp Program, FNS	33,866	5.64%	1,910	35,189	5.60%	1,970	35,483	5.40%	1,916
National School Lunch Program, FNS [Note #1]	9,562	16.08%	1,538	9,715	15.63%	1,518	9,981	15.19%	1,516
School Breakfast Program, FNS [Note #1]	2,418	24.20%	590	2,503	23.42%	590	2,623	22.66%	590
Women, Infants and Children, FNS [Note #2]	4,547	0.82%	37	4,492	0.77%	35	4,594	0.72%	33
Child and Adult Care Food Program, FNS	757	1.51%	11	776	1.46%	11	796	1.41%	11
Milk Income Loss Contract Program, FSA [Note #6]	2	N/A	N/A	10	0.21%	0.1	15	0.21%	0.1
Loan Deficiency Payments, FSA [Note #6]	6	N/A	N/A	7	0.60%	0.1	7	0.60%	0.1
Direct and Counter-Cyclical Payments, FSA	3,988	0.65%	26	4,578	0.60%	27	4,406	0.60%	26
Conservation Reserve Program, FSA	1,876	1.20%	23	1,891	1.15%	22	1,933	1.10%	21
Miscellaneous Disaster Programs, FSA	2,245	3.00%	67	2,568	2.95%	76	1,291	2.90%	37
Noninsured Assistance Program, FSA	67	14.00%	9	325	12.00%	39	325	10.00%	33
Wildland Fire Suppression Management, FS	1,900	.02%	0.4	2,090	0.02%	0.4	2,300	0.02%	0.5

Improper Payment Reduction Outlook ($ in millions)									
	FY 2009 Reporting			FY 2010 Reporting			FY 2011 Reporting		
Program	Outlays	IP%	IP$	Outlays	IP%	IP$	Outlay s	IP%	IP$
Rental Assistance Program, RD	924	3.90%	36	960	3.70%	36	999	3.50%	35
Federal Crop Insurance Corporation Program Fund, RMA	3,600	4.60%	166	3,900	4.50%	176	3,900	4.40%	172
Farm Security and Rural Investment, NRCS	1,519	0.30%	5	1,790	0.20%	4	1,800	0.15%	3

Note #1: Does not adjust for interaction between the different sources of certification error and counting/claiming error. Improper Payment Rates (SY 2005/06) times School Breakfast Program Outlays (FY 2006).

Note #2: WIC and CACFP tested components of their total program. WIC tested a vendor error component of the payment process using final 2006 numbers since FY 2007 are not yet available. CACFP tested the Family Day Care Home tiering decision component payment process of the total outlays. FNS intends to report a WIC certification error in FY 2009.

Note #3: The FY 2008 estimated improper payment dollar amounts for the Marketing Assistance Loan program, Direct & Counter-Cyclical Payments and the Conservation Reserve program reflect a slight variance from the relationship between the improper payment percentage and the outlays amount. These variances result from the complex, multi-stage statistical sampling methodology used to calculate the independent projections of the dollars/percentages in error. The variances are not an attribute measurement, but rather a complex ratio estimate weighted with respect to the payments within their applicable county stratification. They reflect the variability within the payment data and occur with a 90% confidence level.

Note #4: RMA has completed the third year of a three year testing cycle.

Note #5: For FY 2008, NRCS reviewed all of its Farm Security and Rural Investment (Farm Bill) programs due to concerns over eligibility data. For FY 2007, only the Conservation Security program was sampled. The Conservation Security program is one of six Farm Bill programs. For FY 2006, all Farm Bill programs were reviewed.

Note #6: The Milk Income Loss Contract (MILC) Program and Loan Deficiency Programs (LDP) will not be sampled for the FY 2009 IPIA Review Cycle since sampling is not cost effective due to the very low outlay amounts ($2.2 million for MILC and $5.5 million for LDP).

V. Discussion of your Agency's Recovery Auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments, and the business changes and internal controls instituted and/or strengthened to prevent further occurrences. In addition, complete the table below.

USDA continued its recovery audit program with eight agencies in FY 2008. All agencies used independent recovery audit firms working on contingency.

Steps taken to reduce future errors include strengthening internal controls by providing information related to all recovered monies and the underlying transactions to management. The most successful method of identifying funds to be recovered has been the review of vendor statements. Most amounts identified during FY 2008 were due to the vendor statements reviews of FY 2007 payments.

FY 2008 Recovery Auditing Results ($ in Million)								
Agency Component	Amount Subject to Review for FY 2008 Reporting	Actual Amount Reviewed and Reported	FY 2008 Amounts Identified for Recovery	FY 2008 Amounts Recovered	Prior Years Amounts Identified for Recovery	Prior Years Amounts Recovered	Cumulative (Current & Prior Years) Amounts Identified for Recovery	Cumulative (Current & Prior Years) Amounts Recovered
Forest Service	2,010.333	2,010.333	0.041	0.111	.640	0.571	.682	0.682
Natural Resources Conservation Service	1,072.288	1,072.288	0.000	0.000	0.026	0.026	0.026	0.026
Agricultural Research Service	503.822	53.822	0.000	0.000	0.000	0.000	0.000	0.000
Animal Plant Health Inspection Service	445.300	445.300	0.000	0.000	0.374	0.374	0.374	0.374
Farm Service Agency	196.985	196.985	0.000	0.000	0.047	0.047	0.047	0.047
Food Safety and Inspection Service	49.617	49.617	0.000	0.000	0.000	0.000	0.000	0.000
Rural Development	232.860	232.860	0.000	0.000	0.000	0.000	0.000	0.000
Agricultural Marketing Service	59.556	59.556	0.000	0.000	0.002	0.002	0.002	0.002
All Others	737.765	0.000	N/A	N/A	N/A	N/A	N/A	N/A
USDA Total	5,308.526	4,570.161	0.041	0.111	1.089	1.020	1.131	1.131

VI. Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.

FSA

The following are steps that have or will continue to be taken to ensure agency managers are held accountable for reducing and recovering improper payments:

The National Office will continue supporting the use of the program checklists for eligibility and program policy by local offices processing program applications. By completing the program Checklists, the County Office (COF) employee is certifying that the applicable program provisions have or have not been met. The County Executive Director (CED) and State Committee (STC), or their designated representative, are required to spot check a certain number of program checklists. The CED, or their designated representative, must report to County Office Committee (COC) and the STC representative any checklists in which CED does not concur with the preparer's determination. The STC, or their designee, shall submit the results of the spot checks to the State Executive Director (SED). SEDs are required to provide the National Office with a report of FSA programs spot checked.

- FSA has a performance management program in place to improve individual and organizational effectiveness in accomplishing the agency's mission and goals. This program provides for improper payments to be included in the SED Performance Plan, element 5 titled "Program Management";
- National and State Office (STO) managers are held accountable for ensuring that program policies and procedures are provided to the STO and COF employees accurately and on a timely basis. National Office managers are also held accountable, as reflected in the performance based rating measures, for overall program administration at the national level. FSA employees' performance elements are directly related to FSA's Strategic Plan;
- COF employees, including the CED, are responsible for making payments to producers and following all administrative steps in doing so. Employees will be evaluated on program delivery and their compliance with regulations, policies, and procedures through their performance plans;
- Deputy Administrator of Field Operations will facilitate meetings with the program areas to discuss any additional action necessary for senior management to address accountability; and
- Employees at all levels of the agency will be held accountable for efficient and accurate delivery of all FSA programs.

FNS

An agency priority is to improve stewardship of Federal funds. Within this priority are specific goals applicable to programs at high risk for erroneous payments. The goal for the Food Stamp Program, Special Supplemental Nutrition Program for Women Infants and Children, and Child and Adult Care Food Program is to reduce the error rates. The agency goals and priorities are incorporated into each manager's performance plan.

FS

The entire Albuquerque Service Center management team is held accountable by performance metrics that include compliance with the Improper Payments Information Act. Additionally, the agency chief financial officer will provide disbursement performance information to the agency head as part of the performance appraisals for senior leadership.

RD

RD State Offices with an error rate of two percent or higher must develop a corrective action plan. The plan will include procedures to train field staff, borrowers and property manager in appropriate required documentation and follow-up with tenants and income-verifiers.

RMA

RMA revised its strategic plan to provide results to enhance accountability. It also has established procedures to ensure RMA management takes future corrective actions to address program vulnerabilities. Additionally, every employee's performance plan agreement contained a position-corresponding strategic objective element since FY 2005.

NRCS

NRCS has incorporated all of PMA's goals and objectives, including IPIA, in the performance standards for all senior executive service positions. These also are planned to be included in the regional assistant chiefs and state conservationist performance plans.

VII A. **Discussion of your Agency's Recovery Auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments, and the business changes and internal controls instituted and/or strengthened to prevent further occurrences.**

VII B. **If the agency does not have such systems and infrastructure, describe the resources the agency requested in its FY 2007 budget submission to Congress to obtain the necessary information systems and infrastructure.**

While USDA is creating information systems and infrastructure to reduce improper payments, especially for programs susceptible to significant risk, efforts in some programs are constrained by limited resources. USDA has worked closely with OMB to develop action plans that focus available resources on the most critical needs with regard to improper payment measurement and risk reduction.

VIII. **Describe any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.**

FSA/CCC

The Department of Agriculture Reorganization Act of 1994, Section 281 provides that "[E]ach decision of a State, county, or area committee or an employee of such a committee, made in good faith in the absence of misrepresentation, false statement, fraud, or willful misconduct shall be final not later than 90 calendar days after the date of filing of the application for benefits, [and] ...no action may be taken...to recover amounts found to have been disbursed as a result of the decision in error unless the participant had reason to believe that the decision was erroneous." This statue commonly is referred to the "Finality Rule."

FNS

Recent Child Nutrition reauthorization legislation, while it did include some changes requested by the Administration to improve accountability, limited USDA's ability to act in this area because of concerns about potential barriers to participation. In many instances, the mandated goal of providing easy access to benefits must be balanced against the goal of reducing improper and erroneous payments. In addition, program administration is highly decentralized; there are approximately 100,000 school meals locations at which benefits are provided. Many of these benefit providers simply do not have the capacity to develop robust accountability processes. For these reasons, any approach to reducing school meals improper payments must:

- **Improve accuracy without compromising access for low-income families.** A process that keeps eligible children from participating would undermine the program.
- **Not unduly increase burden on schools.** Many schools consider the program burdensome now; adding burden could discourage schools from participating.
- **Be cost-effective.** Improving accuracy is potentially resource-intensive; policymakers must not create a process that increases net program costs.

- **Answer the needs of other users of program data**, which often use certification data to distribute millions of dollars in other kinds of benefits to schools. As these needs contribute to the problem, a solution may also require new commitments from those users.

USDA plans to develop additional proposals to address statutory barriers as part of the Child Nutrition reauthorization process planned for FY 2009. Opportunities for improvement in a number of areas will be explored, including potential changes the process under which schools select and verify an annual sample of certifications for accuracy.

RD

The RD program does not have the statutory requirements similar to the Department of Housing and Urban Development to gain access to data from the Department of Health and Human Service's New Hire Database, Internal Revenue Service, Social Security Administration, and the Department of Labor to be shared with field offices and management agents.

NRCS

Verification of eligibility will be an ongoing challenge for NRCS. It would be advantageous for NRCS to determine adjusted gross income eligibility on current and future Farm Security and Rural Investment Program (Farm Bill) participants by coordinating with the Internal Revenue Service (IRS). For long term contracts the IRS requirement for participants to maintain tax records expires prior to the expiration of the Farm Bill contracts, limiting the ability to independently verify eligibility.

IX. Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges as a result of IPIA implementation.

USDA has no additional comments.

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Appendix D—Acronyms

A

AARC—Alternative Agricultural Research and Commercialization Corporation
ACES—Agricultural Conservation Enrollees/Seniors
AGCI—African Global Competitiveness Initiative
AHMS—Animal Health Monitoring and Surveillance
AIIS—Automated Import Information System
AMM—Acquisition Management Module
AMP—Asset Management Plan
AMS—Agricultural Marketing Service
ANSI—American National Scientific Institute
APEC—Access, Participation, Eligibility and Certification
APHIS—The Animal and Plant Health Inspection Service
AQI—Agricultural Quarantine Inspection
ARPA—Agricultural Risk Protection Act
ARS—Agricultural Research Service
ASB—Agricultural Statistics Board
ASCR—Assistant Secretary for Civil Rights
ATD—Animal Tracing Database
ATM—Audit Tracking Module
ATPS—Animal Trace Processing System
ATS—Automated Targeting System
AWG—Administrative Wage Garnishment

B

BBP—Building Block Plan
BMP—Best Management Practices
BSE—Bovine Spongiform Encephalopathy

C

CACFP—Child and Adult Care Food Program
CAFTA-DR—Central America Free Trade Agreement–Dominican Republic
CAM—Content Analysis Module
CAP—Corrective Action Plan
CBO—Certificates of Beneficial Ownership
CBP—Customs and Border Protection
CCAP—Child Care Assessment Project
CCC—Commodity Credit Corporation
CDP—Miscellaneous Disaster Programs
CEAP–Conservation Effects Assessment Project
CED—Country Executive Director
CEQ—Council on Environmental Quality
CF—Community Facilities
CFO—Chief Financial Officer
CI—Condition Index
CIMS—Corporate Information Management System
CNPP—Center for Nutrition Policy and Promotion
CNR—Child Nutrition and WIC Reauthorization Act of 2004
COC—County Office Committee
COF—County Office
COOL—Country of Origin Labeling
CORP—County Office Review Program
CP—Career Pattern
CPAP—Community Programs Application Processing
CPO—Conservation Plan of Operation
CRD—Civil Rights Division
CRE—Coordinated Review Effort
CRP—Conservation Reserve Program
CSAM—Cyber Security Assessment and Management
CSC—Centralized Serving Center
CSF—Classical Swine Fever
CSM—Commercial Services Management
CSP—Conservation Security Program
CSREES—Cooperative State Research, Education and Extension Service
CSS—Comprehensive Surveillance System
CSS—Country Strategy Statements
CTA—Conservation Technical Assistance Program
CWPP—Community Wildlife Protection Plan

D

DC—Disallowed Costs
DCP—Direct and Counter-Cyclical Payment
DHS—The United States Department of Homeland Security
DM—Deferred Maintenance
DOI—The United States Department of the Interior

E

E&T—Employment and Training
EA—Enterprise Architecture
ECM—Enterprise Content Management
EDI—Electronic Data Interchange
EEO—Equal Employment Opportunity
EFNEP—Expanded Food and Nutrition Education Program
EMRS—Emergency Management Response System
END—Exotic Newcastle Disease
EO—Executive Order
EPA—The U.S. Environmental Protection Agency
EQIP—Environmental Quality Incentives Program
ERS—Economic Research Service
EU—European Union
EVM—Earned Value Management

F

FAD—Foreign Animal Disease
FAO—Food and Agriculture Organization of the United Nations
FAS—Foreign Agricultural Service
FATER—Food Aid Targeting Effectiveness Ratio
FB4P—Federal Biobased Products Preferred Procurement Program
FCIC—Federal Crop Insurance Corporation
FDCC—Federal Desktop Core Configuration
FDCH—Family Day Care Home
FDPIR—Food Distribution Program on Indian Reservations
FECA—Federal Employee Compensation Act
FEMA—Federal Emergency Management Agency
FFA—Future Farmers of America
FFAS—Farm and Foreign Agricultural Service
FFB—Federal Financing Bank
FFIS—Foundation financial Information System
FFMIA—Federal Financial Management Improvement Act
FHM—Forest Health Monitoring
FIA—Forest Inventory and Analysis
FISMA—Federal information Security Management Act of 2002
FLREA—Federal Lands Recreation Enhancement Act
FLP—Farm Loan Program
FMD—Financial Management Division
FMD—Foot-and-Mouth Disease
FMFIA—Federal Managers' Financial Integrity Act
FMMI—Financial Management Modernization Initiative
FNCS—Food, Nutrition and Consumer Services
FNS—Food and Nutrition Service
FRPC—Federal Real Property Council
FS–Forest Service
FSA—Farm Service Agency
FSRIA—Farm Security and Rural Investment Act of 2002
FSH—Forest Service Handbook
FSIS—Food Safety and Inspection Service
FSM—Forest Service Manual
FSP—Food Stamp Program
FSRIP—Farm Security and Rural Investment Program
FTBU—Funds to Be Put to Better Use
FTE—Full Time Equivalents
FWS—The United States Fish and Wildlife Service
FY—Fiscal Year

G

GAO—Government Accountability Office
GAP—Good Agricultural Practice
GIPSA—Grain, Inspection, Packers and Stockyards Administration
GLS—Guaranteed Loan System
GS—General Schedule
GSA—General Services Administration
GUM—General Use Module
GUS—Guaranteed Underwriting System

H

HACCP—Hazard Analysis and Critical Control Point
HEI—Healthy Eating Index
HPAI—Highly Pathogenic Avian Influenza
HSPD-12—Homeland Security Presidential Directive 12

I

IATS—Import Alert Tracking System
IGP—Integrated IT Governance Process
IPIA—Improper Payments Information Act
IPM—Integrated Pest Management
IPPS—In Plant Performance System
IR-4—Interregional Research Project number 4
IRS—Internal Revenue Service
ISO—International Organization for Standardization
ISS LoB—Information Systems Security Line of Business
IT—Information Technology
ITDS—International Trade Data System

K

KEPHIS—Kenya Plant Health Inspectorate Service

L

L&WCF—Land and Water Conservation Fund
LCP—Direct and Counter-Cyclical Payments
LDP—Loan Deficiency Payment
LDP—Loan Deficiency Program
Lm—Listeria Monocytogenes
LMP—Land Management Plan
LMS—Learning Management System
LOB—Line of Business
LSS—Lean Six Sigma

M

MAL—Marketing Assistance Loan Program
MDP—Miscellaneous Disaster Programs
MILC—Milk Income Loss Contract Program
MFIS—Multi-Family Housing Information System
MITS—Management Initiatives Tracking System
MON810—Monsanto Insect protect YieldGard tm Corn
MPR—Mathematica Policy Research
MRP—Marketing and Regulatory Programs

N

NAFTA—North American Free Trade Agreement
NAHLN—National Animal Health Laboratory Network
NAHMS—National Animal Health Monitoring System
NAIS—National Animal Identification System
NAL—National Agricultural Library
NAP—Noninsured Assistance Program
NASS—National Agricultural Statistics Service
NCP—National Conservation Planning Database
NDB—National Data Bank
NDLA— National Digital Library for Agriculture
NFMA—National Forest Management Act
NFS—National Forest System
NIST—National Institute of Standards Technology
NOP—National Organic Program
NOSB—National Organic Standards Board
NPDN—National Plant Diagnostic Network
NRCS—Natural Resources Conservation Service
NRE—Natural Resources and Environment
NSLP—National School Lunch Program
NVS—National Veterinary Stockpile
NVSL—National Veterinary Services Laboratory

O

OCFO—Office of the Chief Financial Officer
OCIO—Office of the chief Information Officer
OGC—Office of the General Counsel
OIE—World Organization for Animal Health
OIG—The Office of Inspector General
OMB—The U.S. Office of Management and Budget
ORAS—Operations Review and Analysis Staff

P

PAR—Performance and Accountability Report
PART—Program Assessment Rating Tool
PCMA—Purchase Card Management System
PEIS—Program Evaluation and Improvement Staff
PHDCIS—Public Health Data Communications Infrastructure Systems
PHICP—Public Health Information Consolidation Projects
PII—Personally Identifiable Information
PIPE—Pest Information Platform for Extension and Education
PMA—Performance Management Agenda
POA&M—Plans Of Action and Milestones
PP&E—Property, Plant, and Equipment
ProTracts—Program Contracts Database
PRRS—Porcine Reproductive and Respiratory Syndrome
PRS—Performance Results System
PRV— Plant Replacement Value
PRV—Pseudorabies Virus
PSU—Primary Sampling Unit

Q

QC—Quality Control

R

RA—Rental Assistance
RAP—Rental Assistance Program
RBS—Rural Business-Cooperative Service
R&D—Research and Development
RD—Rural Development
REE—Research, Education and Economics
RHS—Rural Housing Service
RMA—Risk Management Agency
RME—Risk Management Education
RND—Results Not Demonstrated
RORA—Regional Office Review of Applications
RTB— Rural Telephone Bank
RTE—Ready-to-Eat
RUS—Rural Utilities Service

S

SBP—School Breakfast Program
SBR—Asian Soybean Rust
SED—State Executive Directors
SFA—School Food Authority
SFFAS—Statement of Federal Financial Accounting Standards
SFSP–Summer Food Service Program
SMI—School Meals Initiative
SNAP—Supplemental Nutrition Assistance Program
SPS—Sanitary and Phytosanitary
SRA—Standard Reinsurance Agreement
STC—State Committee
STO—State Office

T

TANF—Temporary Assistance for Needy Families
TBT—Technical Barriers to Trade
TES—Threatened and Endangered Species
TIC—Trusted Internet Connection
TPMC—Tucson Plant Material Center
TRQ—Tariff Rate Quota
TSP—Technical Service Provider

U

UCC—Uniform Commercial Code
UNECE—United Nations Economic Commission for Europe
USAID—The United States Agency for International Development
USB—United Soybean Board
USDA—The United States Department of Agriculture
USGSA—United States Grain Standards Act
USTR—U.S. Trade Representative

V

VS—Veterinary Services

W

WCF—Working Capital Fund
WEP—Water and Environmental Programs
WFSM—Wildland Fire Suppression Management
WIC—Special Supplemental Nutrition Program for Women, Infants and Children
WRP—Wetlands Reserve program
WTO—World Trade Organization