



IV.



Other Accompanying Information

Appendix A—Management Challenges



U.S. Department of Agriculture
Office of Inspector General

Management Challenges

August 2006



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



August 22, 2006

MEMORANDUM FOR THE SECRETARY

FROM: Phyllis K. Fong /signed/
Inspector General

SUBJECT: Management Challenges

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

To identify Departmental challenges, we examined previously issued audit reports where corrective actions have yet to be taken, assessed ongoing investigative and audit work to identify significant vulnerabilities, and analyzed new programs and activities that could pose significant challenges due to their range and complexity. We discussed these challenges with USDA officials to obtain their input.

Last year we consolidated our concerns into six major crosscutting challenges that we believed were the most significant management issues facing USDA. Overall, these management challenges remain. This year, however, we have increased our challenges to seven to include USDA's response to the devastating hurricane season of 2005, including its efforts to effectively and properly distribute benefits and coordinate with other Federal agencies involved in the response. We have also added under our Homeland Security challenge a new issue on the development of plans to monitor potential avian influenza outbreaks in live bird markets or other "off-farm" environments.

Even though our overall challenges remain the same, we removed issues identified under three challenges last year in recognition of the progress made or actions taken by the agencies. These issues include the implementation of a Departmentwide research misconduct policy, the establishment of Departmentwide policies and procedures for defining sensitive and dual-use information, and the Department's issuance of revised procedures strengthening USDA germplasm policies and procedures. A further description of actions taken to remove these issues from the challenges is noted on page 3 of this report.

Memorandum for the Secretary

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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 720-8001, or have a member of your staff contact either Mr. Robert W. Young, Assistant Inspector General for Audit, at 720-6945, or Mr. Mark R. Woods, Assistant Inspector General for Investigations, at 720-3306.

Attachment

cc:

Subcabinet Officials

Agency Administrators

**OFFICE OF INSPECTOR GENERAL
MAJOR USDA MANAGEMENT CHALLENGES
(August 2006)**

Current Challenges - Synopsis

- (1) **Interagency Communications, Coordination, and Program Integration Need Improvement**
 - Integrate the management information systems used to implement the crop insurance, conservation, and farm programs.
 - Increase organizational communication and understanding among the agencies that administer the farm and conservation programs.
 - Improve communication and strengthen controls for beef exported to Japan.

- (2) **Implementation of Strong, Integrated Management Control (Internal Control) Systems Still Needed**
 - Strengthen quality control in the Federal Crop Insurance Programs.
 - Prepare complete, accurate financial statements without extensive manual procedures and adjustments.
 - Improve Forest Service (FS) internal controls and management accountability in order to effectively manage its resources, measure its progress towards goals and objectives, and accurately report its accomplishments.
 - Capitalize on Farm Service Agency (FSA) compliance activities to improve program integrity.

- (3) **Continuing Improvements Needed in Information Technology (IT) Security**
Agencies need to:
 - Emphasize security program planning and management.
 - 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.

- (4) **Implementation of Improper Payment Act Requirements Needs Improvement**
 - Assign sufficient resources and provide management oversight.
 - Strengthen program risk assessment methodology to identify and test the critical internal controls over program payments totaling over \$100 billion.
 - Develop a supportable methodology/process to detect and estimate the extent of improper payments.
 - Develop and implement a corrective action plan to address the weaknesses that allowed the improper payments to occur.

- Agencies that have identified programs that are susceptible to improper payments need to develop and implement action plans to reduce the amount of these payments.
- (5) **Departmental Efforts and Initiatives in Homeland Security Need To Be Maintained**
- Continue vulnerability and risk assessments to determine adequate food safety and security over agricultural commodities that the Department manages, handles, transports, stores, and distributes.
 - Continue to strengthen controls over select agents and toxins.
 - Continue efforts to coordinate with the Department of Homeland Security (DHS) in implementing effective control systems to ensure the safety and security of agriculture products entering the country.
 - Develop a comprehensive approach for surveillance and monitoring for outbreak of avian influenza, including live bird markets or other “off-farm” environments.
 - Ensure animal disease surveillance program policies and procedures are well-defined and supportable.
 - Develop an information system to better track noncompliance violations related to Specified Risk Materials.
 - Improve security and accountability of explosives and munitions.
 - Continue to work with other USDA agencies to ensure effective coordination and implementation of Homeland Security Presidential Directive (HSPD) 9; e.g., develop animal and plant diagnostic and tracking networks.
- (6) **Departmentwide Efforts and Initiatives on Genetically Engineered Organisms (GEO) Need To Be Strengthened**
- Strengthen the GEO field testing process.
 - Develop a comprehensive strategy for increasing exports of genetically engineered crops.
- (7) **USDA’s Response to the 2005 Hurricanes Needs Ongoing Oversight**
- Provide sufficient oversight to ensure that monies allocated for housing, food stamps, conservation, and farm programs are used effectively.

Challenges Removed From the Fiscal Year (FY) 2005 List

Even though our overall Departmental management challenges remain the same as last year, there was considerable improvement or appropriate action taken in some specific areas under these challenges. Those areas are:

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

Implement a Departmentwide Research Misconduct Policy—USDA Still Needs a Departmentwide Director on Research Misconduct. This challenge area was removed based on actions taken by the Department. Over the past year, staff from the Office of the Under Secretary for Research, Education and Economics, in coordination with staff from other mission area program agencies and the Office of the General Counsel, have diligently worked to draft Departmentwide policies and procedures in accordance with Office of Science and Technology Policy guidelines. The Departmentwide policies and procedures were issued under a Secretary's Memorandum on July 11, 2006. Since the Secretary's Memorandum expires in a year, these interim policies and procedures are to be followed by permanent policies and procedures on extramural research to be published in the *Code of Federal Regulations* (CFR) and on intramural research in the CFR and/or Departmental regulations by July 2007.

Under Challenge (5)—Departmental Efforts and Initiatives in Homeland Security Need To Be Maintained

Establish Departmentwide Policies and Procedures for Defining Sensitive and Dual-Use Information and Implementing Adequate Controls To Protect Such Information. In our report, we recommended that Agricultural Research Service (ARS) management controls be enhanced to prevent the transfer of sensitive knowledge to hostile individuals or countries. Although the agency has acknowledged this deficiency, there are no established Governmentwide criteria to strengthen such controls. In recognition of this deficiency, the National Institutes of Health created the National Science Advisory Board to tackle this biosecurity issue. In the interim, ARS has agreed to implement alternative measures. Consequently, we are removing this issue from our list.

Under Challenge (6)—Departmentwide Efforts and Initiatives on Genetically Engineered Organisms Need To Be Strengthened

USDA Needs To Strengthen Germplasm Policies and Procedures. Specifically, USDA needed to strengthen controls over the identification, shipment, inventory, and disposal of genetically engineered organisms (GEO). The effectiveness of the Department's germplasm storage system is critical in responding to a major catastrophe or pest infestation. This challenge area was removed based on USDA's action to issue revised procedures by late summer 2006.

CHALLENGE: INTERAGENCY COMMUNICATION, 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 unified 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 information sharing, thus streamlining operations, reducing expenditures, and improving program efficiency, compliance, and integrity. This approach would enable USDA to speak with one cohesive voice and realize its vision of being "recognized as a dynamic organization that is able to efficiently provide the integrated program delivery needed to lead a rapidly evolving food and agriculture system."

OIG AUDIT/INVESTIGATION ACTIONS:

USDA Could Improve Crop Insurance, Conservation, and Farm Program Integrity and Efficiency Through Integration of the Agencies' Information Management Systems. The Agricultural Risk Protection Act (ARPA) of 2000 requires the Farm Service Agency (FSA) and the Risk Management Agency (RMA), beginning with the 2000 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 Departmental data reconciliation efforts on the 2001 crop data were effectively negated by the hundreds of thousands of disparate records that were identified between the two agencies. Differences in the agencies' definitions of basic terms, such as "producer" vs. "insured" and "farm" vs. "unit," hamper any data reconciliation as well as data sharing. To date the agencies have been unable to satisfactorily complete the legislatively mandated 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. (Note: Once implemented, the provisions of section 10706 will make moot the data reconciliation provisions of ARPA.) 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 would lay valuable groundwork for further modernization of information technology systems of USDA agencies in the future and for the incorporation of those systems into CIMS.

Since 1998, FSA's ad hoc crop disaster programs (CDP) have been predicated on crop production data that is managed by RMA and downloaded to FSA. OIG's audits of the 1998-2002 CDPs have shown that FSA and RMA need to reconcile and redefine their data to better meet the needs of FSA in the administration of the CDPs. This need to redefine data to ensure consistency between FSA and RMA is still ongoing and is being tackled in the CIMS project. Specifically, the audits have disclosed instances in which improper payments occurred

because the data downloaded from RMA was not properly interpreted or used by FSA. In addition, the newly implemented FSA Hurricane Indemnity Program (HIP) relies in part upon data provided by RMA: eligible producers who received a crop insurance indemnity for crop losses suffered due to the 2005 hurricanes will receive HIP benefits equal to 30 percent of the crop insurance indemnity. (Note: HIP also provides benefits to producers who received FSA Noninsured Crop Disaster Assistance Program payments for production losses due to the hurricanes.) The necessary RMA data files for administering the HIP are downloaded weekly to FSA. However, RMA data may change due to updated information. As a result, FSA must manually generate periodic discrepancy reports to identify RMA data that no longer match HIP data. If RMA's and FSA's systems were integrated, the downloads of data from RMA to FSA would be unnecessary; data necessary to properly administer the programs would be available in real time and with reduced risk of improper payment. More than just the crop insurance and disaster programs would benefit—for example, production data in the system could also be used to determine whether quantities reported by producers for FSA price support program purposes were reasonable.

USDA Could Reduce Improper Payments in Conservation and Farm Programs Through Improved Coordination Between Agencies. The Natural Resources Conservation Service (NRCS) purchases conservation easements on land in association with its conservation programs, while FSA provides farm subsidy payments on crop base acres under its Direct and Counter-Cyclical Program (DCP). Producers are generally prohibited from receiving payments for both DCP and conservation easement on the same piece of ground. In our audit of NRCS' Wetland Reserve Program (WRP), we found that, even though the law requires the owners and operators of land subject to WRP conservation easements to agree to the permanent retirement of any existing crop base acres for such land under any USDA program, NRCS occasionally purchases easements on land with base acres without ensuring that landowners permanently retire that base with FSA. NRCS had not issued any instructions requiring landowners to notify FSA to retire federally purchased crop base at FSA. In addition, we found that NRCS did not consistently notify FSA of conservation easements purchased. In our ongoing review of crop bases on conservation easements, we specifically have noted that NRCS is not consistently coordinating with FSA to ensure such bases are permanently reduced (retired) for farm program purposes. We have discussed this issue with both agencies. As a result of poor interagency communication and weak program integration, USDA is both compensating the producers for the value of the base acres under WRP and issuing farm program payments on the base acres to the producers under the DCP. The need for a more collaborative approach to the programs and better coordination between NRCS and FSA in these instances becomes more apparent as Congress enacts more conservation programs in lieu of farm subsidies. Improved interagency communication and understanding of the linkages, interactions, and processes between the agencies and their programs will reduce instances in which one agency's action adversely affects the other's programs.

Coordination Between USDA Agencies Necessary for Effective Protection of Food Safety, Public Health, and Agriculture Trade. On January 20, 2006, Japan halted the import of U.S. beef products because veal product exported from a U.S. plant contained a vertebral column, a violation of an agreement between the United States and Japan to ship only boneless beef. The Secretary immediately announced 12 actions that USDA would undertake to facilitate

resuming trade and requested that OIG review the adequacy of USDA's coordination and control processes for the Beef Export Verification (BEV) program for Japan. We concluded that the Agricultural Marketing Service (AMS) and the Food Safety and Inspection Service (FSIS) could strengthen controls over the BEV program by better communicating BEV program requirements, clearly defining their respective roles and responsibilities, and implementing additional oversight of FSIS inspection personnel.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: RMA and FSA have established a working group to develop CIMS, which will combine the agencies' separate program data (e.g., acreage, type of crop, producer, past claims, etc.). In addition to developing an integrated comprehensive information management system, this effort has included redefining data common to, and needed by, both agencies and data unique to each agency and developing a common format for such data. In the long term, NRCS will be invited to participate in CIMS. The success of this effort will critically depend on a unified, integrated approach to program administration, information collection, and systems development.

In response to our audit of WRP, NRCS hired a State-certified Chief General Appraiser to provide overall direction and supervision of the easement valuation process. NRCS modified the WRP Manual to improve technical precision and to provide direction to the NRCS staff on how to handle crop base acres from land subject to WRP conservation easements. NRCS staff is to notify the appraiser and landowner of the need to permanently reduce, for farm program purposes, existing crop base acres from land subject to WRP conservation easements. Additionally, NRCS and FSA have established a working group to identify and remove all impairments that have prevented them from ensuring that landowners permanently reduce their existing crop base acres where appropriate. These actions when completed, along with implementation of the other recommendations, will significantly strengthen the program. These actions will also result in improved interagency communication, coordination, and program integration.

In response to our audit of the BEV program, AMS agreed to maintain a list of specific export-eligible products for each facility with an approved BEV program; systematically notify FSIS when any establishment is approved/delisted from a BEV program; and review all establishments in the BEV program to ensure that they adhere to program requirements. FSIS agreed to clarify the roles and responsibilities of FSIS personnel involved at each stage of the export verification process, expedite the development of export certification training, and increase supervisory oversight of the export certification process. These actions, along with the 12 announced by the Secretary, should further strengthen the program.

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 in order to increase efficiency and to preclude the agencies from inadvertently working at odds with one another.

Farm Programs. To preclude errors and irregularities in one program from impacting program payments in another:

- RMA, FSA, and NRCS should implement a comprehensive information management system 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 a comprehensive information management system 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 \$456 million in potential savings since crop year 2001 through the current crop year 2006; FSA has not participated, contending it is prohibited statutorily. NRCS could also benefit in its direct administration of conservation programs.)
- NRCS and FSA should improve interagency communication and coordination to assure one agency's actions do not adversely affect the other agency's programs.

Food Safety, Public Health, and Agriculture Trade. AMS needs to continue to ensure that meat plants include the specific products and process requirements necessary for export certification programs and that those requirements are documented and included in plant quality assurance manuals. AMS and FSIS need to continue to work closely together to clarify the roles and responsibilities of FSIS personnel involved at every stage of the export certification process, expedite the development of training on export certification for Consumer Safety Inspectors, and increase supervisory oversight of the export certification process by revising the In-Plant Performance System review guidance to incorporate procedures that specifically evaluate the ability of inspection personnel to perform export certifications.

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

SUMMARY: Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control, has been revised and is effective for 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.

Improved Oversight Needed To Ensure Quality Control of the Federal Crop Insurance Programs. For the 2005 crop year, indemnity payments totaled approximately \$2.3 billion, and Government subsidies of insurance premiums totaled approximately \$2.3 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 (QC) reviews by the approved insurance companies (AIP) 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 QC review system to evaluate private sector delivery of the Federal Crop Insurance Programs.

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. As of August 3, 2006, there are 46 audit reports where OIG and the agencies have not reached management decision on the actions necessary to address the recommendations within the required 6-month time period. In addition, there are approximately 132 audits where agencies had not completed final action within 1 year of agreeing to implement corrective actions. Also, as of August 10, 2006, the U.S. Government Accountability Office's (GAO) Web site lists 68 audits with open recommendations for USDA. This includes 9 audits released in FY 2006 and 59 in prior years, with the oldest GAO audit being open since FY 2002. Developing and implementing effective corrective actions in response to audit recommendations is a key component to enhancing agency internal control systems. Many OIG and GAO findings deal directly with weaknesses in agencies' internal control structures.

Improved Controls Needed Over USDA Financial Processes. Internal controls over financial management systems and processes are needed in USDA to improve the timeliness and accuracy of financial data available to managers administering and operating USDA's programs. Although the Department has now obtained unqualified audit opinions for 4 consecutive years, control weaknesses continue to impair the utility of the financial information reported. For example, OIG identified three reportable conditions, 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

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for the Department. Although significant improvements have been made in this area, it nonetheless continues to represent a management challenge to the Department.

Forest Service Needs Improvement in Policy, Process, and Internal Control Issues.

Management issues within the Forest Service (FS) have proven resistant to change. We attribute part of this to the agency's decentralized management structure. The agency delegates broad authority to its field units (regions, forests, and ranger districts) without having an adequate system of internal controls to ensure policies established by top management are followed. The use and accuracy of performance management information is severely limited. The usefulness of performance measures and the accuracy of reporting processes within FS are often flawed. This lack of timely and accurate information deprives FS management of tools needed to effectively measure the direction and progress of the agency. It also prevents oversight bodies and the public from being able to make informed decisions regarding the agency. These conclusions are based upon findings in OIG and GAO reports with which FS has concurred.

Another internal control issue 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 included the lack of adequate controls to monitor and ensure oversight in training continuity—ensuring adequate training of contract fire fighters—and administration of vendors (i.e., vendors using illegal workers on the firefighting crews who may have language barriers), as well as contract crew member qualifications.

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

Our audit of FSA compliance activities showed FSA generally does not capture or analyze the results of its various compliance and internal 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 has taken specific actions to assist Departmental agencies in improving the overall management control structure.

- Our audit work has disclosed that RMA lacks an effective QC review system to evaluate private sector delivery of the Federal Crop Insurance Program. We currently have an ongoing audit to evaluate RMA's overall compliance activities, including the adequacy of its review of the AIPs. Additionally, through our investigative work, we will continue to address allegations of fraudulent schemes by insurance agents and adjusters.
- 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.

- OIG is responsible for the audit of the Departmental financial statements. We accomplish this through the use of audit staff and contracts with certified public accounting firms. These audits ensure that the annual financial reports accurately reflect the results of operations and the financial results of USDA and its agencies. The reviews allow OIG to evaluate the financial system within the Department and provide recommendations for improvement.
- 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, find 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. We currently plan to conduct an audit of the overall structure of FS management control systems. This work is scheduled to start in FY 2007 depending on availability of Audit staff. An ongoing investigation will continue to delve into whether there is appropriate oversight of national firefighting contracts.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: Some of the actions being taken by the Department and USDA agencies to address management control weaknesses include the following.

- RMA has begun conducting AIP operations reviews to develop a rolling Program Error Rate. RMA plans to complete a review of all participating AIPs once every 3 years. These operational reviews assess the company's compliance with Appendix IV (quality control) and other provisions in the Standard Reinsurance Agreement. The reviews will look at documentation of company systems that are in place and verify that they are operational. RMA will also assess the operational QC programs, training provided, and flaws identified when conducting business. The review guide is under development, and the first round of these national operations reviews has been completed for the 2004 reinsurance year. For FY 2006, RMA has initiated six reviews for the 2005 reinsurance year.
- USDA has continued to strengthen its financial management process. The Office of the Chief Financial Officer (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.
- FS has reemphasized its management review process to assess its operation 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.
- In response to an audit, FSA formed a task force in August 2005 to examine its compliance activities. As part of its duties, the FSA compliance task force will make recommendations on how FSA can use the results of its compliance reviews to strengthen internal controls.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE: RMA needs to continue its effort to establish a consistent and comprehensive QC process for all reinsured companies, including a system to evaluate the overall effectiveness and reliability of QC 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 reasonable timeframes. USDA agencies need to continue to improve their financial systems with the goal that the financial information produced by these systems will allow them to prepare complete, accurate financial statements without extensive manual procedures and adjustments. FS needs to improve its management controls in order to effectively manage its resources, measure its progress towards goals and objectives, and accurately report its accomplishments. FSA needs to implement policies and procedures to analyze its compliance review results and use those 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. As technology has enhanced the ability to share information instantaneously among computers and networks, it has also made organizations more vulnerable to unlawful and destructive penetration and disruption. Insiders with malicious intent, recreational and institutional hackers, and attacks by intelligence organizations of other countries are just a few of the threats that pose a risk to the USDA's critical systems and data.

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 have found that, despite strong guidance provided by the Office of the Chief Information Officer (OCIO), agencies' implementation of IT security requirements continues to be problematic. Although the agencies accelerated their efforts to comply with Federal information security requirements during the fiscal year, IT management and security remain a material weakness within USDA. An example includes the recent event where Departmental servers containing personal identity information were compromised through hacker intrusion. Through forensic analysis, OIG revealed details that made it clear that this personal information may not have been protected.

In another audit, OIG found that OCIO implemented the Universal Telecommunications Network (UTN) without adequate security controls. This was due to the fact that OCIO had not conducted required system testing, security control testing, and certification and accreditation (C&A) of the UTN network before implementation.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: OCIO has worked diligently to assist the agencies to achieve conformance with security mandates. The Department has stated that, since October 2005, it has made progress in information security as highlighted by the significant improvements in the Cyber Security scorecard, which tracks agency progress on the areas required under the Federal Information Security Management Act (FISMA) of 2002. Specifically, USDA issued revised C&A guidance in October 2005 to ensure its documentation meets Federal requirements. The Department's incident handling policy has been recognized by the U.S. Computer Emergency Readiness Team as a good process that ensures incidents are handled timely. Information security training was demonstrated in two venues: (1) approximately 150 employees throughout USDA attended the November 2005 IT Summit and (2) as of June 30, 2006, an estimated 90,000 USDA employees have taken the Computer Security Awareness Training course that was updated in January 2006. In addition, USDA's Cyber Security staff is addressing OIG audit recommendations made to date and expects to fully address all recommendations by the end of the fiscal year. Although the Department reported improvements in its overall security program, OIG has not independently verified or tested these improvements. By the time this is published in the Performance and Accountability Report, OIG will have completed its planned audit assessment and can therefore make a determination on the

effectiveness of OCIO's actions. OIG is assisting the Department in its IT security efforts by initiating a review of controls over lost and stolen equipment. In response to a request by OMB and in accordance with the President's Council on Integrity and Efficiency initiatives on IT security, OIG has also included, as part of its 2006 FISMA audit, additional steps to ensure the Department has adequate safeguards in place to protect personal data.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE: Agency-level managers should continue to consider IT security a top priority and display greater commitment and attention to assuring compliance with federally mandated IT security requirements to reduce the level of vulnerability. Specifically, agencies need to ensure that the requirements of OMB Circular A-130, Management of Federal Information Resources, are fully met.

CHALLENGE: IMPLEMENTATION OF IMPROPER PAYMENT ACT REQUIREMENTS NEEDS IMPROVEMENT

SUMMARY: USDA faces a major challenge in implementing the Improper Payments Information Act (IPIA) of 2002. The Act requires agency heads to annually review all programs and activities that they administer and identify those that may be susceptible to significant improper payments. If the estimate exceeds \$10 million, agencies are to report the causes of the improper payments and corrective actions taken. OIG considers this to be a major challenge for USDA because of the number and complexity of USDA programs and activities that meet the Act's criteria. The methodology to be employed to identify improper payments consists of a detailed risk assessment of programs' internal controls. In August 2005, OMB revised Circular A-136, Financial Reporting Requirements, requiring agencies to report on their risk assessments, annual improper payment estimates, corrective action plans, and recovery efforts. GAO reported that in FY 2005 only 23 of 33 Federal agencies that prepared Performance and Accountability Reports reported that they had completed risk assessments for all programs and activities. USDA reported that its agencies had 286 programs, with outlays totaling about \$100 billion in FY 2005, that had been assessed by the individual agencies to determine their susceptibility to improper payments. A total of 11 programs, with outlays totaling over \$65 billion, were determined by USDA to be susceptible to significant improper payments and to require further actions as specified in the IPIA.

OIG AUDIT/INVESTIGATION ACTIONS: In FY 2005, OIG reviewed five agencies' implementation of the OCFO guidance. We reported our findings to the CFO and recommended that the Deputy Secretary be briefed on the conditions. Although improvements were noted, we found that, in general, the five agencies we reviewed had not fully implemented OCFO's guidance. This was attributed to the individual agencies not establishing controls over the risk assessment process to ensure adherence to instructions. As a result, the five agencies could not support their conclusions that the nine programs we reviewed were at low risk for improper payments. In our opinion, not prescribing controls that provide reasonable assurance IPIA requirements were met indicates management's attention and commitment to this critical area is questionable. Although USDA added five new programs as high risk in FY 2005, only two of those were supported by risk assessments (the remaining three were based on the judgment of agency officials). For USDA to fulfill its responsibilities under a law devised to save and safeguard taxpayers' assets and foster efficiency in Government operations, considerable management attention is warranted. As part of our current FY 2006 audit of the Department's high-risk programs, we alerted FS and Rural Housing Service (RHS) management that problems were noted in the statistical sampling that was required to be performed on their high-risk programs for 2005 and that these problems would continue to exist if not timely addressed.

In addition, our audits of FSA's compliance activities and of FSA's tracking of finality rule and equitable relief decisions revealed that FSA has not coordinated efforts between its program and financial management divisions to identify, quantify, and reduce improper payments.

OIG investigations have identified millions of dollars of benefits obtained fraudulently in some of the Department's largest programs. Such programs include the food stamp, FSA loan, crop insurance, and rural development programs. Over the past 5 fiscal years, our investigations led

to total monetary results of \$589 million, of which \$393 million was restitution ordered by courts to repay the amount of losses directly due to criminal activity. The focus of our investigations is on specific subjects and specific allegations of criminal violations. Thus, the results achieved in individual investigations pertain directly to individuals, rather than identifying broad agencywide problems in benefit delivery. However, our investigative findings assist in identifying problem areas, such as common schemes used to obtain undeserved payments.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: OCFO strengthened its published guidance on the IPIA process, has continued to work with the agencies, and tabulated the current results. It is incumbent upon the agencies, however, to establish internal processes to meet the requirements prescribed for performing annual risk assessments. FS and RHS are presently reviewing the issues we reported.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE: USDA agencies need to continue to aggressively implement the requirements of the law and OCFO's revised direction. Analyses of the internal control structure of all major programs must be performed, and weaknesses that could create vulnerabilities to improper payments need to be identified. Due to the breadth and complexity of the undertaking, successful implementation of the IPIA poses a significant management challenge to the Department. FS and RHS need to revise their sampling methodology for FY 2007 to ensure it is statistically valid and meets OMB requirements.

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

SUMMARY: The events of September 11, 2001, heightened concern about potential terrorist threats and 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. For FY 2006, \$564 million has been appropriated for homeland security initiatives at USDA. Building on its earlier progress, USDA must accelerate 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 maintain their current border inspection activities to guard against the unintentional introduction of pests, diseases, and contaminants on imported products.

The Department has been responsive to specific security vulnerabilities identified by OIG. USDA has also participated in, implemented, or is in the process of implementing a number of security-related initiatives, including the National Animal and Plant Health Laboratory Networks (designed to rapidly detect foreign pathogens and other pests) and the National Interagency Incident Management System (developed to respond to a wide range of emergencies, both natural and human-caused). However, USDA still faces many challenges as it shifts its focus to encompass security as well as safety in each of its mission areas. Specifically, the Department must foster effective coordination and communication across agency and Departmental lines to ensure effective implementation of its ongoing and future homeland security initiatives. For example, the Department has coordinated and monitored the USDA agencies to achieve timely and effective implementation of biosecurity procedures for its many laboratories.

Such coordination and communication is critical if Homeland Security Presidential Directive 9 (HSPD-9) is to be effectively implemented. Issued on January 30, 2004, HSPD-9 established a comprehensive national policy to defend the agriculture and food system against terrorist attack, major disasters, and other emergencies. With DHS as the lead Federal agency, HSPD-9 directed USDA, the Department of Health and Human Services (HHS), the Environmental Protection Agency, and the U.S. Attorney General to develop and implement systems and networks in the following areas: awareness and warning, vulnerability assessments, mitigation strategies, and response planning and recovery.

OIG AUDIT/INVESTIGATION ACTIONS:

Commodity Inventories. In our February 2004 audit report 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, actions have not yet been completed due to resource and budgetary constraints.

Select Agents and Toxins. In January 2006, OIG issued an audit of the Animal and Plant Health Inspection Service's (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. 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. Many of our recommendations remain unresolved because of issues arising from the transfer of inspection duties from APHIS to DHS' Customs and Border Protection (CBP). 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 are in the final stage of a joint audit to determine the extent to which CBP conducted agricultural inspection activities transitioned from USDA to prevent or minimize the introduction of harmful, exotic pests and diseases into the United States. The audit will also determine if CBP has taken corrective action on USDA-OIG recommendations including any that USDA was unable to take corrective action on before the transition of the areas to CBP.

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 disease 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.

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. However, APHIS has not yet developed a comprehensive approach for surveillance and monitoring of AI in domestic poultry. APHIS relies on a variety of voluntary State and commercial programs to monitor and test domestic poultry and wild birds. Because these programs are voluntary, APHIS does not know the extent of surveillance activity in place and is not gathering consistent data to enable it to draw conclusions, to permit the detection of changes in epidemiological parameters (e.g., subtype of AI or rate of prevalence), or to report incidents of AI in accordance with new international trade requirements.

On December 12, 2005, we issued a management alert to APHIS that outlined concerns regarding the development of a comprehensive AI surveillance plan, identifying gaps in sampling surveillance and assessing risk as a basis for determining the need for additional sampling.

In regard to its National AI Preparedness and Response Plan, APHIS needs to provide additional guidance on preparing and responding to highly pathogenic AI (HPAI) or notifiable AI (NAI) outbreaks in live bird markets or other “off farm” environments. APHIS needs to clarify actions that employees should take in obtaining and administering necessary vaccines and anti-virals in the event that a culling operation for HPAI occurs. Also, APHIS needs 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 its response, APHIS described a number of initiatives planned and in-process to address our concerns.

Bovine Spongiform Encephalopathy (BSE) Surveillance Program and Controls Over BSE Sampling, Specified Risk Materials (SRMs), and Advanced Meat Recovery Products. OIG evaluated the expanded BSE surveillance program, the enforcement of the ban on SRMs, the administration of USDA’s testing program, and the controls to prevent central nervous system tissue in advanced meat recovery products. APHIS obtained significantly more samples for testing than originally thought needed, but because the program is voluntary, we could not determine whether it obtained a representative proportion of high-risk cattle. Using USDA-published data, we could not determine whether APHIS achieved either geographical representation or representation of the high-risk surveillance stream (clinical suspects, fallen stock, casualty slaughter fallen stock, and routine slaughter).

We did not identify SRMs entering the food supply; however, due to the lack of adequate records, we could not determine whether procedures to remove, segregate, and dispose of SRMs were followed and/or were adequate in 9 of 12 establishments reviewed. FSIS did not have an information system to track noncompliance violations relating to SRMs.

Explosives and Munitions. We conducted a review to follow up on the status of FS’ implementation of 24 recommendations to improve security and accountability of explosives and munitions that we had identified in our March 2003 report. We found that FS had not completed 11 of the 24 recommendations and that it was unable to apprise us of the status of the open recommendations even though 3 years had lapsed since it originally agreed to implement them. We recommended that FS designate a senior national level official to provide overall leadership and safety oversight for the National Explosives Safety Program and to be accountable for ensuring corrective actions were completed.

HSPD-9. This year OIG initiated reviews to evaluate the Department’s actions to implement many of the initiatives outlined in HSPD-9. One of the reviews will determine the status of the implementation of the Integrated Consortium of Laboratory Networks and determine whether USDA has effectively implemented the diagnostic and reporting networks for animal and plant pathogens (specifically, the National Animal Health Laboratory Network (NAHLN) and National Plant Diagnostic Network (NPDN)). In another review, we are assessing USDA’s role in monitoring warehouses and elevators that are required to register with the Food and Drug Administration; we are also reviewing the Department’s implementation of HSPDs regarding monitoring and surveillance programs that track specific commodities and food.

Illegal Smuggling of Plant and Animal Products. OIG continues to conduct investigations of individuals who are illegally smuggling plant and animal products that may threaten American agriculture by introducing foreign pests and diseases. We currently have several ongoing investigations into the smuggling of poultry and poultry products into the United States. This activity is significant because of the potential for smuggled product to contain AI. Additionally, we have several investigations of illegal cockfighting rings operating in the United States. In many instances, the birds involved in the cockfighting rings are smuggled into the United States from foreign countries and, we believe, have the potential to spread not only AI, but also other avian diseases.

Although APHIS has primary responsibility for safeguarding American agriculture from foreign pests and diseases entering the United States, FSIS and DHS also have significant involvement and responsibilities. Having numerous responsible agencies requires close coordination and communication, particularly when an immediate response is necessary. OIG is working with APHIS and FSIS to establish protocols to ensure the coordination and sharing of information in smuggling investigations. Once these protocols are in place, they will be provided to DHS to ensure coordination between Departments.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: In response to our review of homeland security issues pertaining to USDA commodity inventories, FSA generally agreed with our recommendations and agreed to work with USDA's Office of Homeland Security to complete risk and vulnerability assessments and to develop appropriate guidelines and procedures. However, according to FSA, actions have not yet been completed due to resource and budgetary constraints.

In response to the President's National Strategy for Pandemic Influenza, APHIS has developed the National AI Preparedness and Response Plan (Response Plan) to address the threat of AI. Characterized by its authors as a "living document" and subject to revision, it 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 has also initiated a series of actions to address the concerns we raised in our BSE audit. These actions include revising its testing protocols to provide for additional confirmatory procedures when inconclusive test results occur and publishing information to fully advise stakeholders of assumptions and procedures, limitations of data, and conclusions reached as a result of the BSE surveillance program. In addition, APHIS agreed to perform additional outreach to emphasize the age of the target animals and ensure laboratory personnel understand testing procedures. For its part, FSIS agreed to verify the adequacy of SRM control programs at all beef slaughter and processing establishments and confirm compliance with SRM control procedures through its Performance Based Inspection System, which is to be modified to allow for timely analysis of violation trends and tracking corrective action.

In response to our followup review, FS appointed a senior national-level official to provide overall leadership and safety oversight for the National Explosives Safety Program and to ensure corrective actions were completed.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE:

Commodity Inventories. FSA needs to determine and implement actions necessary to complete risk and vulnerability assessments and to develop appropriate guidelines and procedures.

Select Agents and Toxins. APHIS needs to coordinate with the Centers for Disease Control and Prevention, HHS, to develop and implement procedures to share responsibilities for inspecting registered entities handling overlap agents. APHIS needs to improve its inspections of registered entities in possession of select agents by verifying that these entities base their security plans on a site-specific risk analysis; address all critical areas identified in the regulations; 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 and accountability are 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 disease at ports of entry. Also, staffing models need to be developed to address those risks.

AI Surveillance. APHIS needs to develop and implement a comprehensive AI surveillance plan and perform and document an analysis identifying gaps in sampling surveillance and assessing risk as a basis for determining the need for additional sampling. APHIS also needs to revise the Response Plan to include detailed instructions for (1) handling HPAI occurrences in live bird market systems and other “off-farm” environments and (2) obtaining and administering vaccines and anti-virals to people in the event of a culling operation. Also, APHIS needs to coordinate with FSA and the States to develop and formalize producer notification and action procedures when an outbreak of AI occurs, to include 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.

BSE Surveillance and Safeguards. APHIS needs to ensure the transparency of published information so that stakeholders are fully advised of the assumptions and procedures used, limitations of data, and the basis of conclusions reached as a result of the BSE surveillance program. Testing protocols need to be continually reevaluated and adjusted based on emerging science. Additional outreach should be performed to emphasize the age of the target animals and ensure that laboratory personnel understand procedures for submitting the desired samples. APHIS should also follow up with laboratories that appear to be providing an insufficient number of samples.

FSIS needs to implement a review and evaluation program to be conducted by FSIS' Office of Program Evaluation, Enforcement, and Review to verify the adequacy of SRM control programs at all beef slaughter and processing establishments and verify compliance with its SRM control procedures through its Performance Based Inspection System, which should also be modified to allow for timely analysis of violation trends and tracking corrective action.

CHALLENGE: DEPARTMENTWIDE EFFORTS AND INITIATIVES ON GENETICALLY ENGINEERED ORGANISMS NEED TO BE STRENGTHENED

SUMMARY: As the share of American crop land devoted to cultivating biotechnology-derived or genetically engineered crops has grown, USDA's obligation to regulate these crops and to promote them as commodities in foreign markets has grown commensurately. While 88 million acres of genetically engineered crops were planted in the United States in 2001, by 2005 that number had grown to 123 million acres, with the total number of acres planted with genetically engineered crops over this 5-year period surpassing a billion. As of July 2005, approximately 87 percent of soybean acreage, 52 percent of corn acreage, and 79 percent of cotton acreage were grown from genetically engineered seeds. Recognizing the increasing importance of genetically engineered crops to the American agricultural sector, Congress required in the 2002 Farm Bill that USDA promote the export of these crops to foreign markets by developing a global marketing strategy and educating consumers about the safety of these products.

However, other countries—especially countries that have long been traditional markets for American agricultural commodities—have not always been eager to import genetically engineered crops. Even though the Food and Agriculture Organization of the United Nations has acknowledged the benefits and wholesomeness of genetically engineered crops, the European Union (EU) has instituted labeling and traceability requirements for biotechnology-derived imports, requirements that negatively affect U.S. producers' ability to compete in European markets and effectively act as trade barriers. Moreover, in several recent and highly publicized cases, U.S. crops have been found to contain genetically engineered material unauthorized for human consumption in foreign markets and subsequently were rejected by them. Given the new importance of genetically engineered crops to American agriculture, USDA faces significant challenges in regulating these crops, overcoming trade barriers in well-established markets, and cultivating new markets more receptive to importing biotech crops.

To meet these challenges, USDA must balance several goals, including (1) maintaining adequate accountability for genetically engineered seeds and crops, (2) preserving the integrity of non-genetically engineered seeds and crops, (3) ensuring the health and safety of the American food supply, and (4) maintaining the export levels of American agricultural production despite some foreign markets' reluctance to import genetically engineered crops.

OIG AUDIT/INVESTIGATION ACTIONS: During our review of USDA's monitoring of genetically engineered crops, we evaluated how USDA issues 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 genetically engineered crops under approved notifications and permits. Of the 28 recommendations resulting from this audit, USDA has reached management decision on 15. We will continue to work with the Department to achieve management decision on the remaining 13 recommendations. Actions needed include establishing a timetable for implementing a new multi-tiered permit system and new procedures for disposing of high-risk pharmaceuticals and industrial harvests.

In our ongoing review of the export of genetically engineered crops, we are assessing how USDA has promoted the export of genetically engineered crops to remain competitive in the global agricultural market. Our preliminary results indicate that the Department has more to do to meet the challenge of overcoming trade barriers for exporting these crops to mature and new markets in emerging economies. To date, USDA's emphasis has been on resolving individual trade problems. To meet this challenge, the Department must continue to work to implement a global market strategy with clear goals for overcoming trade barriers in longstanding, well-established markets and for developing new markets where genetically engineered crops will be welcomed.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: OIG and USDA agencies continue to work to reach management decision on our recommendations concerning the oversight of genetically engineered crops. Most of the outstanding recommendations require timeframes for implementing corrective action; however, the Department also needs to develop procedures for requiring written protocols for field tests before those tests are approved and for improving how the actual disposition and devitalization of regulated genetically engineered crops will be monitored. Our review of USDA's efforts to promote the export of genetically engineered crops is ongoing.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE: To improve USDA's oversight of regulated genetically engineered crops, the Department needs to develop time-phased action plans to address the outstanding audit recommendations. To better promote the export of genetically engineered crops, USDA needs to develop a coordinated and consolidated global market strategy that will guide negotiations with countries reluctant to import genetically engineered crops and also open new markets willing to import American agricultural products.

**CHALLENGE: USDA'S RESPONSE TO THE 2005 HURRICANES NEEDS
ONGOING OVERSIGHT**

SUMMARY: In January 2006, Secretary of Agriculture Mike Johanns announced \$2.8 billion in assistance for victims of the 2005 hurricane season—\$1.2 billion to assist farmers and ranchers and \$1.6 billion to rebuild rural homes and communities. While these funds are sorely needed in rural America, administering them presents USDA with several significant challenges. First, the Department must strive to distribute this assistance as rapidly as possible while still ensuring that only hurricane victims receive benefits. Given the unprecedented magnitude of these disasters and the number of Federal agencies involved in the response, USDA agencies must coordinate with many other Federal agencies to avoid paying duplicate benefits. Second, USDA also has a responsibility to perform outreach, informing hurricane victims of what benefits are available to them and how they may best apply. Third, the Department has a responsibility to learn from how its agencies have responded to these catastrophes. Many USDA employees have succeeded in helping thousands of citizens through difficult and unfortunate circumstances, but the Department can still benefit from reviewing its own performance. By using the lessons learned, USDA can better prepare to respond to future disasters.

OIG AUDIT/INVESTIGATION ACTIONS: The President has requested that hurricane assistance be provided with the highest standards of accountability. In response to this charge, we have aimed to determine if relief efforts are being safeguarded against fraud, waste, and abuse and to ensure that disaster relief is reaching those most in need. At present, we have initiated audits and investigations of each USDA agency responding to these disasters, including FS, RHS, FNS, FSA, NRCS, and RMA. Together, our audits and investigations constitute an aggressive campaign to prevent the misuse of Federal funds and to improve USDA's overall ability to respond to future catastrophes.

Forest Service. Over the last 5 years, the Federal Emergency Management Agency (FEMA) has relied on FS to respond to major disasters, primarily because FS can rapidly establish camps to distribute emergency supplies to disaster victims. When using these camps to distribute supplies to people displaced by forest fires, FS has had a great deal of success keeping costs down by using prearranged contracts. We found that FEMA could significantly reduce its costs by negotiating more of these contracts prior to disasters, and we issued a letter to DHS-OIG suggesting that FEMA cut its costs by negotiating more prearranged contracts as it prepares for future disasters.

Rural Housing Service. RHS provides funds for hurricane victims whose homes have been destroyed and must be rebuilt. During our ongoing audit of this program we found two problems with how those funds are being administered. First, we found that RHS was not conducting adequate outreach to inform disaster victims of emergency assistance available to help them rebuild. Next, we identified some victims who were receiving duplicate benefits because USDA had not coordinated its assistance with other Federal agencies. By coordinating with other agencies likely to pay similar benefits and by performing better outreach, USDA can correct these problems as it responds to future disasters.

Food and Nutrition Service. FNS implemented Disaster Food Stamp Programs (DFSP) in Louisiana, Texas, Mississippi, Alabama, and Florida to provide food assistance to the many victims displaced by the 2005 hurricanes. So that evacuees who fled the Gulf Coast could also receive food assistance, FNS also implemented a National Evacuee Policy/Expanded Disaster Evacuee Policy (NEP), which provided a streamlined application process for disaster victims, even though they were no longer residing in a disaster area. The streamlined process reduced the administrative burden on host States that were helping victims from the affected States. Due to the extraordinary number of people displaced by these storms, FNS waived many of the eligibility tests and other program requirements that ordinarily apply to the Food Stamp Program. Overall, as a direct result of these storms, over 2.2 million households received more than \$907 million in program benefits.

To evaluate the effectiveness of FNS' controls to prevent program abuse and duplicate payments, we have initiated audits of DFSP and NEP programs in all five States directly affected by the hurricanes. These audits are ongoing, but they will offer recommendations for how FNS can improve its administration of DFSP and NEP programs in preparation for future disasters.

Farm Service Agency and the Natural Resources Conservation Service. FSA and NRCS are also administering funds intended to counteract hurricane damage to crops, livestock, trees, and aquaculture through disaster programs such as the Livestock Indemnity Program, the Feed Indemnity Program, the Hurricane [Crop] Indemnity Program, the Tree Indemnity Program, and grants to aquaculture producers. In addition, these two agencies are administering funds intended to help reduce hurricane-related environmental damage through programs like FSA's Emergency Conservation Program (ECP), its Emergency Forestry Conservation Reserve Program (EFCRP), and NRCS' Emergency Watershed Protection Program (EWP).

We have initiated an audit of the EWP and ECP 2005 hurricane relief efforts with objectives such as monitoring funding levels, evaluating the adequacy of management controls, conducting reasonableness reviews of reimbursements, and assessing any waived or revised procedures under the programs. We also plan to review FSA's Livestock, Feed, Hurricane, and Tree Indemnity Programs and grants to aquaculture producers, as well as how FSA has implemented the new EFCRP and expanded ECP authorities established under the 2006 Defense Appropriations Act.

Risk Management Agency and the Federal Crop Insurance Corporation. Hurricanes Katrina, Rita, and Wilma caused catastrophic damage to crops that were reinsured through RMA's Federal Crop Insurance Corporation. Because of the extent of this damage, RMA authorized expedited procedures to streamline certain loss determinations and accelerate indemnity payments to hurricane victims. As of May 25, 2006, total indemnity losses caused by Hurricanes Katrina and Wilma in Florida stood at \$227.1 million for nurseries and \$13 million for citrus crops.

We have initiated an audit of RMA's emergency relief efforts in Florida for processing indemnity claims under these expedited procedures. As part of this audit, we are reviewing RMA's oversight of private insurers as they determined hurricane damage and issued payments.

Since producers could receive crop insurance indemnities as well as disaster payments, we are also assessing the potential for duplicate payments.

DEPARTMENTAL/AGENCY ACCOMPLISHMENTS/PLANS: From the beginning, USDA has been deeply involved in the Government's response to the 2005 hurricanes. In the early hours of the emergency, FEMA tasked FS with establishing incident camps where first responders lived while providing emergency assistance to hurricane victims. RHS and FNS also provided much needed food and shelter to evacuees throughout the United States. As the region continues to recover from the devastation wreaked by these storms, the Department will continue its commitment to deliver new benefits, including helping farmers and ranchers resume production, issuing crop insurance payments, and rebuilding rural communities and infrastructure.

ACTIONS NEEDED TO ADDRESS THE CHALLENGE: USDA faces three challenges as it responds to these disasters. First, it must expedite benefits while ensuring that those benefits are issued only to hurricane victims. Meeting this challenge will involve improving its coordination with other Federal agencies and preventing duplicate payments. Second, USDA must reach out to hurricane victims so that they are aware of what benefits are available to them. Third, and perhaps most importantly, USDA must use the lessons learned to identify its successes, and correct any weaknesses. By doing so, USDA will strengthen its ability to respond to future disasters.

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 for FY 2002 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 4 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.

USDA is taking steps to implement IPIA fully and achieve a "green" rating for the Eliminating Improper Payments PMA initiative. During FY 2006, USDA maintained "yellow" status by:

- Completing risk assessments for all programs;
- Developing plans to measure improper payments for all high risk programs and receiving OMB approval;
- Developing corrective action plans to reduce improper payments and establishing both reduction and recovery targets for all high risk programs;
- Fully complying with reporting standards;
- Reporting component error rates for two Food Nutrition Service programs for the first time; and
- Reporting statistical error rates for four newly declared high risk programs.

The Farm Service Agency (FSA) made improvements to the quality of its risk assessments and statistical sampling. Unfortunately, these improvements resulted in significant increases in improper payment rates for programs already designated as high risk, and four additional programs being declared susceptible to improper payments. The improved statistical sampling focused on verifying program eligibility and uncovered administrative weaknesses that prevent FSA from determining if payments are proper. Thus, the Commodity Credit Corporation (CCC) is reporting an increase of \$3.5 billion in estimated potential improper payments in this report. Aggressive corrective action plans are being developed to improve the quality of documentation for program eligibility.

USDA will be able to move to "green" status when error rates are available for all programs and it demonstrates that reduction and recovery goals are being met. Due to budget and program constraints, this process can be complicated. For the programs without an estimated error rate, USDA is working with OMB to develop interim methods to establish and track erroneous payment percentages.

Additionally, USDA is taking steps to implement recovery auditing fully. Using an independent recovery audit contractor working on contingency, USDA identified \$379,000-worth of potentially recoverable improper payments. The Department has recovered \$538,000 in FY 2006 from amounts identified during FY 2005 and FY 2006.

On August 23, 2005, 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;
- 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 15 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 & School Breakfast Programs (NSLP-SBP)	
		Special Supplemental Nutrition Program for Woman, Infants and Children	
USDA Identified as Susceptible to Significant Improper Payments	Farm Service Agency (FSA) Commodity Credit Corporation (CCC)	Milk Income Loss Contract Program	
		Loan Deficiency Payments	
		Direct and Counter-Cyclical Payments	
		Conservation Reserve Program	
		Disaster Programs	
	Food Nutrition Service (FNS)	Child and Adult Care Food Program	
		Forest Service (FS)	Wildland Fire Suppression Management
		Rural Development (RD)	Rental Assistance Program
		Risk Management Agency (RMA)	Federal Crop Insurance Corporation Program Fund
Natural Resources Conservation Service (NRCS)	Farm Security and Rural Investment Programs		

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)	<p>Reviews of program payment activities with respect to the Improper Payment Information Act are conducted by FSA's County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS).</p> <p>Testing is conducted using statistically sound samples drawn from the total population of program payments for each program 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.</p> <p>Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. Agency program delivery organizations (county offices) are selected in the first stage and individual payments made or contracts reviewed by those organizations are selected in the second stage.</p> <p>That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. CORP staff visits each of the county offices shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. CORP reviewers use a list of program division provided criteria 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 potentially improper payments made. The results of that review are summarized and submitted to CORP national office staff to be analyzed by the statistician contractor. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the county offices and completed the actual reviews of documents.</p>
FNS	Food Stamp Program (FSP)	<p><u>Statistical sampling</u></p> <p>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.</p> <p><u>Error Rate Calculation</u></p> <p>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.</p>
FNS	National School Lunch & School Breakfast Programs (NSLP-SBP)	<p>The results of a large national study of improper payments in NSLP and SBP, for School Year 2005-2006, are anticipated to be reported next year. Because of the scope and cost of this kind of study, it is more prudent to repeat it on a multi-year cycle. With appropriate funding approval, FNS will repeat this type of study and produce an improper payment measurement estimate every five years. Additionally, as part of the current project, FNS intends to develop a methodology that uses data available from extant sources to estimate improper payments annually on a NSLP component.</p> <p>The sampling plan for the large national study involves the selection of a national probability sample of school food authorities (SFA), schools, certified students and their households, and households that applied for and were denied benefits. In the first stage of sampling, a stratified random sample of 80 SFAs was selected. Stratification variables included geographic region, prevalence of schools with SBP and those using Provision 2/3 and a poverty indicator. In the second stage of sampling, three schools, on average, were selected from SFAs that do not have Provision 2/3 schools. Schools were stratified</p>

OTHER ACCOMPANYING INFORMATION

Agency	Program	Sampling Process
FNS (Cont'd)		<p>into two groups: (1) elementary schools and (2) middle and high schools. A total of 264 schools were selected for 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, households were selected in 240 of these schools. This process was designed to yield completed interviews for 3,600 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 applications from Provision 2/3 schools in which household surveys were not conducted. The study design includes approximately 4,500 application reviews to estimate a case-error rate due to administrative error. All schools selected for application reviews also would include data collection for counting and claiming errors.</p> <p>In the interim (before the nationally representative improper payments rate is available), FNS is reporting a component measure drawn from annual on-site reviews focused on the certification and verification process. One important source of certification error is (SFA errors in certifying and verifying applications. In 2002, on-site reviews were conducted of the application verification process at 14 SFAs. This activity determined that 6 percent of the SFAs' verification determinations were incorrect due to administrative errors. USDA worked with Congress to develop and adopt legislative changes to address certification accuracy. These changes included mandating direct certification, year-long certifications and household applications. FNS has worked with States and local education agencies to implement these improvements rapidly. Beginning in FY 2005, FNS has conducted an annual review of a statistical sample of SFA application eligibility determinations. This sample will be used to measure changes in administrative error rates, assess the impact of its corrective action, and target and focus future activities. The national benefit status error rate on applications for school year 2004-05 is 4.3 percent (± 0.95, 90 percent confidence interval based on 2,766 applications). Beginning in 2007, it is anticipated that this component also will become part of the formula used to develop the annual payment error estimate.</p>
FNS	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	<p>FNS plans to continue periodic examinations of WIC certification and vendor error.</p> <ul style="list-style-type: none"> • Certification Error—The next decennial national study to measure certification error in WIC is scheduled for 2008. This study will, for the first time, include a measurement of the amount of improper payments associated with certification error. Previous studies preceded IPIA and did not include any value determination of improper payments. • Vendor Error—A study of WIC vendor management recently has been completed. A national improper payments estimate of vendor charges, for FY 2005 activity, is reported in Section IV. For the next few years, FNS will generate an annual update of this improper payment measurement using statistical techniques. Options to accomplish this using existing administrative and other data are being examined. <p>The “bookend” study data will be aged by data reported annually by all WIC State agencies to produce estimates for FY 2006 and annually until the next bookend study. State WIC agencies are required to investigate at least 5 percent of their authorized vendor population each year. Some States investigate more than the minimum. In FY 2004, approximately 10 percent of all vendors were investigated, although there is substantial variation across States. These data are collected into The Integrity Profile Report and database on a fiscal-year basis. The investigations check for vendor violations including overcharging and charging for foods not received by the recipient. While States primarily select vendors for investigation through purposive sampling from their presumed high risk vendors, some include a random component in their sampling. Moreover, the state-of-the-art in identifying “high risk” vendors is imperfect and there is a semi-random aspect to the samples. Thus, FNS can generate an improper payment amount by using post-stratified sampling techniques to adjust for the purposive aspects of the samples. The Food Stamp Program pioneered the use of post-stratified sampling methods to estimate food-stamp trafficking. FNS believes it can adapt the food stamp methodology for the WIC vendor estimates. The agency will develop and test the methodology. If an acceptable method for aging cannot be developed using existing data, FNS could develop a regulatory proposal requiring limited new data collection and reporting by the States on not more than 1 percent of WIC vendors.</p>

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Agency	Program	Sampling Process
FNS	Child and Adult Care Food Program (CACFP)	<p>Two measures of the Family Day Care Home component of the program are planned. The methods for determining these measures are:</p> <ul style="list-style-type: none"> • Sponsor Tiering Error—National study of a representative sample of sponsor files for 3,150 family day care homes (FDCHs) in 95 distinct sponsors in 14 States. Data collectors went to each sampled sponsor with randomly drawn lists of 30 to 90 FDCHs. They extracted the necessary documents to establish eligibility for reimbursements from the sponsors' files. The FY 2005 results are reported in Section IV below. • Meal Claiming Error—Two methods of estimating the risk of claiming error will be tested for feasibility. Both approaches compare the number of participants observed during the monitoring visit to the average number of meals claimed for reimbursement for the meal or snack closest to the time of the visit. Each approach a) provides an estimate of the risk of claiming error among FDCH providers; b) involves a different set of problems (which may or may not be surmountable); and c) requires very different resource implications. <p>FNS will pilot both approaches in conjunction with the 11 Child Care Assessment Project (CCAP) reviews scheduled for FY 2007. A sample size (for the pilot) of 200 FDCHs is anticipated. Data collection forms already have been developed for each approach to facilitate standardized collection and data entry.</p>
FSA/CCC	Milk Income Loss Contract Program (MILC)	<p>MILC only disbursed approximately \$9 million in FY 2005. USDA suspended improper payment sampling because of the low level of outlays since the program expired as of September 30, 2005. The program was reauthorized for two years in February 2006 and sign up for the new MILC ended in May 2006. Outlays for FY 2006 were \$351 million, exclusive of accruals. There will be a statistical sampling of the FY 2006 activity using the same approach as defined for Marketing Assistance Loan and Loan Deficiency Payment program activity.</p>
FSA/CCC	Loan Deficiency Payments	<p>Reviews of program payment activities with respect to the Improper Payment Information Act are conducted by FSA's County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS).</p> <p>Testing is conducted using statistically sound samples drawn from the total population of program payments for each program 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.</p> <p>Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. Agency program delivery organizations (county offices) are selected in the first stage and individual payments made or contracts reviewed by those organizations are selected in the second stage.</p> <p>That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. CORP staff visits each of the county offices shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. CORP reviewers use a list of program division provided criteria 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 potentially improper payments made. The results of that review are summarized and submitted to CORP national office staff to be analyzed by the statistician contractor. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the county offices and completed the actual reviews of documents.</p>
FSA/CCC	Direct and Counter-Cyclical Payments (DCP)	<p>Reviews of program payment activities with respect to the Improper Payment Information Act are conducted by FSA's County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS).</p> <p>Testing is conducted using statistically sound samples drawn from the total population of program payments for each program 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.</p> <p>Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. Agency program delivery organizations (county offices) are selected in the first stage and individual payments made or contracts reviewed by those organizations are selected in the second stage.</p> <p>That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. CORP staff visits each of the county offices shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. CORP reviewers use a list of program division provided criteria drawn from legal and program administrative</p>

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Agency	Program	Sampling Process
FSA/CCC (Cont'd)		<p>guidance. Findings of non-adherence to the criteria related to the individual contracts or payments in the sample will identify potentially improper payments made. The results of that review are summarized and submitted to CORP national office staff to be analyzed by the statistician contractor. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the county offices and completed the actual reviews of documents.</p>
FSA/CCC	Conservation Reserve Program (CRP)	<p>Reviews of program payment activities with respect to the Improper Payment Information Act are conducted by FSA's County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS).</p> <p>Testing is conducted using statistically sound samples drawn from the total population of program payments for each program 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.</p> <p>Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. Agency program delivery organizations (county offices) are selected in the first stage and individual payments made or contracts reviewed by those organizations are selected in the second stage.</p> <p>That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. CORP staff visits each of the county offices shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. 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 potentially improper payments made. The results of that review are summarized and submitted to the CORP national office staff to be analyzed by the statistician contractor. That contractor determines the rate of improper payments based on the data provided by CORP staff that visited the county offices and completed the actual reviews of documents.</p>
FSA/CCC	Disaster Programs (CDP)	<p>Reviews of program payment activities with respect to the Improper Payment Information Act are conducted by FSA's (FSA) County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS).</p> <p>Testing is conducted using statistically sound samples drawn from the total population of program payments for each program 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.</p> <p>Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. Agency program delivery organizations (county offices) are selected in the first stage and individual payments made or contracts reviewed by those organizations are selected in the second stage.</p> <p>That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. CORP staff visits each of the county offices shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. CORP reviewers use a list of program division provided criteria 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 CORP national office staff to be analyzed by the statistician contractor. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the county offices and completed the actual reviews of documents.</p>
FSA/CCC	Noninsured Assistance Program (NAP)	<p>Reviews of program payment activities with respect to the Improper Payment Information Act are conducted by FSA's County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS).</p> <p>Testing is conducted using statistically sound samples drawn from the total population of program payments for each program 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.</p> <p>Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. Agency program delivery organizations (county offices) are selected in the first stage and individual payments made or contracts reviewed by those organizations are selected in the second stage.</p>

OTHER ACCOMPANYING INFORMATION

Agency	Program	Sampling Process
FSA/CCC (Cont'd)		That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. CORP staff visits each of the county offices shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. CORP reviewers use a list of program division provided criteria 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 CORP national office staff to be analyzed by the statistician contractor. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the county offices and completed the actual reviews of documents.
FS	Wildland Fire Suppression Management	Wildland Fire Management – Suppression has been deemed a high risk account and as such, the sample had to be a statistically based sample. For FY 2006, the fund had 13,553 payments made. Accordingly, a sample size of 166 was selected using a random number generator. The sample was selected using a 90-percent confidence level, anticipated rate of occurrence of 2.9 percent and a desired precision range of 5 percent.
RD	Rental Assistance Program	<p>The agency reviewed the sampling plan developed by the U.S. Department of Housing and Urban Development for its studies. It engaged an Rural Development (RD) statistician to prepare a similar plan for this report. This report is based on a review of tenants receiving RA during their occupancy beginning September 1, 2005, to May 31, 2006. This period was selected since the actual rental assistance payment is made one month following the occupancy date. Thus, the universe covers the fiscal year to date. RD plans another review in November/December 2006 that will cover the full FY 2006 period. The sampling plan consisted of 665 rental assistance (RA) payments from a universe of 2,330,334 or .029 percent. The methodology produced a sample with a 99-percent confidence level. The study required field staff to evaluate tenant files and income calculations. The agency did not test if RD's deputy chief finance office paid appropriately on the borrower's request for subsidy due to the minuscule error rate from the FY 2004 report and the implementation of an automation enhancement to improve data entry.</p> <p>The universe of rental assistance payments during the period of September 1, 2005, to May 31, 2006, was 2,330,334. 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 contained a list of all tenants receiving RA who occupied the unit as of September 1, 2006, for payment as of October 1, 2006. 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, an unnumbered letter dated July 11, 2006, was issued to RD field staff that explained the process (including detailed instructions), provided the list of tenant payments to be reviewed and provided the data currently maintained in MFIS. These data were used as the baseline review of the tenant data comparison between the Agency records and the management agent's tenant files. The survey instrument was revised this year and reduced from a two-page to a one-page questionnaire. The study asked State office staff 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 unauthorized assistance.</p>
RMA	Federal Crop Insurance Corporation Program Fund	RMA drew 300 random 2004 crop year indemnities to review during 2005. It will repeat this process for three years to compile 900 random indemnity reviews that will be used to identify the RMA program-error rate. 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 Programs	<p>The Farm Security and Rural Investment Program was treated as six individual programs following the apportionment schedule:</p> <ul style="list-style-type: none"> • Environmental Quality Incentive Program; • Wildlife Habitat Incentive Program; • Wetland Reserve Program; • Grassland Reserve Program; • Farm and Ranch Land Protection Program; and • Conservation Security Program (CSP).

OTHER ACCOMPANYING INFORMATION

Agency	Program	Sampling Process
NRCS (Cont'd)		<p>As shown in section IV, the Farm Security and Rural Investment Program has reported an improper payment rate of less than 2.5 percent for the last 2 years. The Farm Security and Rural Investment Program also met its FY 2006 reduction and recovery targets. As a result of this demonstrated ability to reduce improper payments, we anticipate that OMB will authorize the removal of all but CSP from the high risk list. Starting in FY 2007, USDA anticipates that only CSP will be sampled statistically and reported in the PAR.</p> <p>Risk assessments were developed for each program with the Financial Management Division and the National Program Managers. Using last year's risk assessments and corrective action plans, NRCS identified any new risks and internal controls to test. It reviewed internal and external reviews and audits to eliminate duplication of effort and incorporated testing of any new internal controls implemented as a result of the reviews and audits. Statutory and program changes as they related to IPIA were considered.</p> <p>Individual program samples were statistically selected from the universe of payments made to participants during FY 2005. Anticipated error rates were based on the actual ones determined from the results of last year's sampling and anticipated impact of ProTracts. NRCS used a rigorous confidence level of 95 percent and precision range of 5 percent to select the number of samples. A total of 765 samples were selected.</p> <p>Questionnaires unique for each program were developed with the program managers. Sample payment data were merged into the questionnaires. These questionnaires were sent to State and field offices to complete and return with supporting documentation. The questionnaires are a tool for re-enforcing program rules and a means to obtain verification of items which would not be readily available in a contract file.</p> <p>NRCS started the implementation of individual program review checklists. They were created by the Financial Management Division based on the risk assessments and internal controls selected for testing. As samples were returned, the agency used the review checklist to test the effectiveness of the selected internal controls. This ensured testing consistency by the review team. We also tested payment calculations, contracting policy adherence, and issues from last year's sampling.</p>

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)	<p>A large percentage of the improper payments was caused by noncompliance with administrative procedures. While failure to follow administrative procedures may not have caused the payment to be disbursed in error, it is not possible to determine whether the payment was appropriate without the documentation. For example, it was determined that a producer who did not certify whether it had a delinquent Federal non-tax debt but still received a payment was considered an improper one. In such cases, while the producer may have been a legitimate recipient, because he or she failed to indicate his or her status this was considered an improper payment. After further program review and additional corrective action, the program payment amount issued was determined to be accurate. The State and county offices involved in the statistical sample have been notified of the findings and the necessary corrective actions.</p> <p>FSA corrective action plans for reducing improper payments include:</p> <ul style="list-style-type: none"> • Reiterating current program policies regarding program compliance through the issuances of national notices to State and county office personnel; • Developing a PowerPoint training presentation addressing the statistical sample's findings and overall MAL program compliance concerns. This PowerPoint presentation will be made available to all State executive directors and office employees to assist when training county office employees. This training presentation will be the first of a series of training modules to address MAL policies and procedures; • Informing State executive directors of compliance issues that resulted in an improper payment and provide additional internal control procedures to avoid these types of errors;

OTHER ACCOMPANYING INFORMATION

Agency	Program	Corrective Actions Planned
FSA/CCC (Cont'd)		<ul style="list-style-type: none"> • Enhancing existing software and/or developing automated programs that verify program eligibility and compliance, subject to funding; • Reviewing existing policy and procedures handbooks to determine program compliance inefficiencies. FSA will strengthen or eliminate inadequate program compliance controls to simplify the MAL approval process without compromising program integrity; • Enhance individual accountability of controls by performing quarterly control testing on each employee's program related payment transactions. A sample of five producer payments will be selected for each employee for testing each quarter. The results from these quarterly tests will be included as part of the employee's annual performance plans for the county, district and State executive director. The employee's individual results will be integrated into his/her annual performance rating. • Leveraging the Treasury Offset Program System (TOP) to verify Debt Collection Improvement Act (DCIA) compliance. This, in turn, may eliminate the need for a producer self-certification of the DCIA requirement. Current financial systems and security issues must be enhanced and addressed before FSA can use TOP for the purpose of verifying DCIA compliance for producers requested LDP benefits; and • Amending existing regulations to eliminate inadequate program compliance controls. A final rule amending regulatory language requiring lien searches and filing of financing statements on loan amount \$25,000 or less is going through Departmental clearance and will be published in the <i>Federal Register</i> upon final signature.
FNS	Food Stamp Program	<p>Causes of improper payments</p> <p>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.</p> <p>An analysis of the FY 2004 completed statistical sample revealed that approximately 69 percent of all variances occurred before or at the most recent certification/recertification. Additionally, 56.7 percent of the errors were agency caused. A little more than 50 percent of the errors (50.4 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 31.6 percent.</p> <p>The analysis of the FY 2005 data is scheduled for release in early 2007.</p> <p>Steps that are (or will be) taken to address specific findings in the last statistical sample:</p> <p>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.</p> <p>Steps that are (or will be) taken to improve the overall control environment and improper payments:</p> <p>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:</p> <ul style="list-style-type: none"> • 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.

OTHER ACCOMPANYING INFORMATION

Agency	Program	Corrective Actions Planned
FNS (Cont'd)		FNS administers a State Exchange Program. The program provides funds to States to facilitate travel to obtain, observe and share 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 & School Breakfast Programs (NSLP-SBP)	<p>FNS has collected data on eligibility determination and verification efforts at the school food authority (SFA) level. States are expected to identify and resolve problems with the certification and verification processes based on these data. A number of key data elements are reported to FNS annually. These elements include certification type (direct certification or application), verifications conducted and results of verification activity. These efforts will be used to explore regulatory, policy and training efforts to improve the accuracy and reliability of the eligibility-determination process. In June 2006, FNS published the results of the certification and verification reporting for school year 2004-05. The report indicates that approximately three quarters of certified students were subject to verification, with the remainder directly certified. Among all verified applications, the majority were found to be consistent with their certification status. Thirty-three percent of verifications resulted in a change in certification status, with 21 percent of those resulting from non-response to the verification request. For school year FY 2004-05, SFAs were permitted to choose among three methods for selecting applications for verification. Results varied substantially by method. Verification results for school year 2005-06 currently are being reported and analyzed. As a result of a legislative change designed to better target error-prone applications, these data will reflect changes in verification sampling procedures by SFAs. They will not be directly comparable to the school year 2004-05 data.</p> <p>FNS also has secured resources and entered into a contract to conduct a nationally representative study of the NSLP/SBP eligibility determination process. It also has established the first improper payments rate. An improper payments rate for school year 2005-06 is anticipated to be available by August 2007. Because of the scope and cost of this study, it is more prudent to repeat it on a multi-year cycle. With appropriate funding approval, FNS will repeat this type of study and produce an improper payment measurement every five years. Additionally, as part of the current project, FNS intends to develop a methodology that uses data available from other sources to measure improper payments on a component of the NSLP annually.</p>
FNS	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	The data from the study of vendors in 2005 indicating a very low level of WIC vendor improper payments are reported in Section IV below. Corrective action plans and reduction targets will be developed in FY 2007 and submitted to OMB for approval.
FNS	Child and Adult Care Food Program (CACFP)	The data from the new FDCH teiring accuracy determination and the Child Care Assessment Project (CCAP) are being analyzed. Corrective action plans and reduction targets will be developed in FY 2007 and submitted to OMB for approval.
FSA/CCC	Milk Income Loss Contract Program (MILC)	<p>While statistical sampling of MILC was not required due to limited activity in FY 2005, FSA has concluded that that this program will benefit from many of the corrective actions targeted for CCC programs delivered through the field office structure. As with the other programs, it should be noted that compliance with the administrative procedures may have prevented the improper payment from being disbursed. For example, it was determined that a producer who did not certify whether he or she had a delinquent Federal non-tax debt but still received a payment was considered an improper payment. In such cases, while the producer may not have been a delinquent debtor and was entitled to receive the applicable payment, he or she failed to indicate his or her status, making it an improper payment. After further program review and additional corrective action, the program payment amount issued was determined to be accurate.</p> <p>FSA corrective action plans for reducing improper payments include:</p> <ul style="list-style-type: none"> • Reiterating current program policies regarding program compliance through the issuances of national notices to State and county office personnel; • Developing a PowerPoint training presentation addressing the statistical sample findings and overall program compliance concerns in the various programs. This PowerPoint presentation will be made available to all State executive directors and office employees to assist when training county office employees. This training presentation will be the first of a series of training modules to address MILC policies and procedures; • Informing State executive directors of compliance issues that resulted in an improper payment and provide additional internal-control procedures to avoid these types of errors; • Enhancing existing software and/or develop automated programs that verify program eligibility and compliance, subject to funding;

OTHER ACCOMPANYING INFORMATION

Agency	Program	Corrective Actions Planned
FSA/CCC (Cont'd)		<ul style="list-style-type: none"> • Enhance individual accountability of controls by performing quarterly control testing on each employee's program related payment transactions. A sample of five producer payments will be selected for each employee for testing each quarter. The results from these quarterly tests will be included as part of the employee's annual performance plans for the county, district and State executive director. The employee's individual results will be integrated into his/her annual performance rating. • Reviewing existing policy and procedures handbooks to determine program compliance inefficiencies. FSA will strengthen or eliminate inadequate program compliance controls to simplify the MILC approval process without compromising program integrity; and • Leveraging the Treasury Offset Program System (TOP) to verify Debt Collection Improvement Act (DCIA) compliance. This, in turn, may eliminate the need for a producer self-certification of the DCIA requirement. Current financial systems and security issues must be enhanced and addressed before FSA can use TOP to verify DCIA compliance for producers requesting MILC benefits.
FSA/CCC	Loan Deficiency Payments (LDP)	<p>A large percentage of the improper payments were caused by noncompliance with administrative procedures. It should be noted that compliance with these procedures may have prevented the improper payment from being disbursed. For example, it was determined that a producer who did not certify whether they had a delinquent Federal non-tax debt but still received a payment was considered an improper payment. In such cases, while the producer may not have been a delinquent debtor and was entitled to receive the applicable payment, he or she failed to indicate his or her status, making it an improper payment. After further program review and additional corrective action, the program payment amount issued was determined to be accurate. The State and county offices involved in the statistical sample have been notified of the findings and the necessary corrective actions.</p> <p>FSA corrective action plans for reducing improper payments include:</p> <ul style="list-style-type: none"> • Reiterating current program policies regarding program compliance through the issuances of national notices to State and county office personnel; • Developing a PowerPoint training presentation addressing the statistical sample findings and overall LDP program compliance concerns. This PowerPoint presentation will be made available to all State executive directors and office employees to assist when training county office employees. This training presentation will be the first of a series of training modules to address LDP policies and procedures; • Informing State executive directors of compliance issues that resulted in an improper payment and provide additional internal control procedures to avoid these types of errors; • Enhancing existing software and/or developing automated programs that verify program eligibility and compliance, subject to funding; • Enhance individual accountability of controls by performing quarterly control testing on each employee's program related payment transactions. A sample of five producer payments will be selected for each employee for testing each quarter. The results from these quarterly tests will be included as part of the employee's annual performance plans for the county, district and State executive director. The employee's individual results will be integrated into his/her annual performance rating. • Reviewing existing policy and procedures handbooks to determine program compliance inefficiencies. FSA will strengthen or eliminate inadequate program compliance controls in an effort to simplify the LDP approval process without compromising program integrity; and • Leveraging the Treasury Offset Program System (TOP) ability to verify Debt Collection Improvement Act (DCIA) compliance. This may in turn eliminate the need for a producer self-certification of the DCIA requirement. Current financial systems and security issues must be enhanced and addressed before FSA can use TOP for the purpose of verifying DCIA compliance for producers requested LDP benefits.
FSA/CCC	Direct and Counter-Cyclical Payments (DCP)	<p>A large percentage of the improper payments were due to noncompliance with administrative manual controls. It is important to note that compliance with administrative procedures may have prevented the improper payments. For example, while a producer did not have an AD-1026, Highly Erodible Land Conservation and Wetland Conservation Certification, on file, he or she is paid DCP benefits. It has been determined that the producer's DCP payment is considered an improper payment. After the producer is paid, the county office requests an AD-1026. The producer then files the form. In this instance, while the producer was entitled to receive the applicable payment, the county office did not follow administrative procedure.</p> <p>The Office of Management and Budget Circular A-123, Appendix A identifies administrative compliance as a key internal control issue. The A-123 Review Team found that a lack of compliance with administrative procedures accounts for a large percentage of potential improper payments. Administrative procedures include obtaining appropriate authorizing signatures and obtaining and retaining required data, forms and supporting documentation.</p>

OTHER ACCOMPANYING INFORMATION

Agency	Program	Corrective Actions Planned
FSA/CCC (Cont'd)		<ul style="list-style-type: none"> • FSA's corrective action plan for reducing improper payments includes the following actions developed under. <p>A-123's plan:</p> <ul style="list-style-type: none"> • Provide training on key controls to field personnel and educate them on the importance of control procedures and the potential noncompliance risks. Training will be delivered through various means including in person and via AgLearn, a USDA enterprise-wide learning management system. Then, and the training will be followed by communications and job aids to help facilitate compliance to controls; • Enhance individual accountability of controls by performing quarterly control testing on each employee's program related payment transactions. A sample of five producer payments will be selected for each employee for testing each quarter. The results from these quarterly tests will be included as part of the employee's annual performance plans for the county, district and State executive director; and • Integrate the employee's individual results into his/her annual performance rating. <p>In addition to the A-123 corrective action plans, FSA's plans for reducing improper payments include:</p> <ul style="list-style-type: none"> • Developing a Power Point training presentation addressing the statistical sample findings and overall DCP program compliance concerns. This PowerPoint presentation will be made available to all State executive directors and office employees to assist when training county office personnel; and • Reiterating current program policies regarding program compliance through the issuances of National notices to State and County office personnel.
FSA/CCC	Conservation Reserve Program (CRP)	<p>A large percentage of the improper payments was caused by noncompliance with administrative procedures. The internal controls in place to support compliance with these procedures likely would have prevented the improper payment from being disbursed. For example, a producer who certified performance of the practice on the AD-245, page 2, after the practice expiration date but still received a cost-share payment was considered an improper payment. However, the producer may not have certified after the practice expiration date, the expiration date may have been extended but not indicated on the form or entered into the system. Because the extension was not updated on the form or in the system, this was considered an improper payment. The State and county offices involved in the statistical sample will be notified of the findings and the necessary corrective actions. FSA is requiring that all necessary corrective actions be completed no later than October 27, 2006, unless noted otherwise.</p> <p>FSA's corrective action plans for reducing improper payments include:</p> <ul style="list-style-type: none"> • Reiterating current program policies regarding program compliance through the issuances of national notices to State and county office personnel; • Developing an AgLearn training presentation addressing the statistical sample findings, overall CRP program compliance concerns and the program in general. This AgLearn presentation will be made available to all State executive directors and office employees to assist when training county office employees. FSA will investigate required training using AgLearn as a pre-condition of using CRP software. Training presentations will be prioritized based on the findings of this plan; • Requiring State executive directors to resolve compliance issues that resulted in an improper payment; • Enhancing existing Web-based software and retiring legacy systems to tie all program payments more closely 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; • Reviewing existing policy and procedure to determine program compliance inefficiencies. FSA will strengthen or eliminate inadequate program compliance controls to simplify the CRP payment process without compromising program integrity; and • Requiring county offices with potential improper payments identified to review the payment and determine if it was proper had the procedures been followed. If not, the county office must establish a receivable, and take action to recover the overpayment and afford appropriate appeal rights.

OTHER ACCOMPANYING INFORMATION

Agency	Program	Corrective Actions Planned
FSA/CCC	Disaster Programs (CDP)	<p>A large percentage of the improper payments were due to noncompliance with administrative manual controls. It is important to note that compliance with administrative procedures may have prevented the improper payments. For example, a producer did not have an AD-1026, Highly Erodible Land Conservation and Wetland Conservation Certification, on file. However, the producer is paid CDP benefits. It has been determined that the producer's CDP payment is considered an improper payment. After the producer is paid, the county office requests an AD-1026. The producer files the AD-1026. In such a case, while the producer was entitled to receive the applicable payment, the county office did not follow administrative procedure.</p> <p>OMB's Circular A-123, Appendix A, identifies administrative compliance as a key internal control issue. The A-123 Review Team found that a lack of compliance with administrative procedures accounts for a large percentage of potential improper payments. Administrative procedure includes obtaining appropriate authorizing signatures and obtaining and retaining required data, forms and supporting documentation.</p> <p>FSA's corrective action plan for reducing improper payments includes the following actions developed under A-123's plans:</p> <ul style="list-style-type: none"> • Training field personnel on key controls and teaching the importance of control procedures and the potential risks of noncompliance. Training will be delivered through various means including in person and via AgLearn, a USDA enterprise-wide learning-management system. Communications and job aids then will follow to help facilitate compliance to controls; • Enhance individual accountability of controls by performing quarterly control testing on each employee's program-related payment transactions. A sample of five producer payments will be selected for each employee for testing each quarter. The results from these quarterly tests will be included as part of the employee's annual performance plans for the county, district and State executive directors; and • Integrate the employee's individual results into his/her annual performance rating. <p>Additionally, FSA's corrective action plan for reducing improper payments includes:</p> <ul style="list-style-type: none"> • Developing a Power Point training presentation addressing the statistical sample findings and overall CDP program compliance concerns. This PowerPoint presentation will be made available to all State executive directors and office employees to assist when training county office (CO) employees; and • Reiterating current program policies regarding program compliance through the issuances of national notices to State and county office personnel.
FSA/CCC	Noninsured Assistance Program (NAP)	<p>A large percentage of the improper payments were due to noncompliance with administrative manual controls. It is important to note that compliance with administrative procedures may have prevented the improper payments. For example, a producer did not have an AD-1026, Highly Erodible Land Conservation and Wetland Conservation Certification, on file. However, the producer was paid NAP benefits. It has been determined that the producer's NAP payment is considered an improper payment. After the producer is paid, the county office requests an AD-1026. The producer files the form. In such a case, while the producer was entitled to receive the applicable payment, the county office did not follow administrative procedure.</p> <p>OMB Circular A-123, Appendix A, identifies administrative compliance as a key internal-control issue. The A-123 Review Team found that a lack of compliance with administrative procedures accounts for a large percentage of improper payments. Administrative procedure includes obtaining appropriate authorizing signatures and obtaining and retaining required data, forms and supporting documentation.</p> <p>FSA's corrective action plan for reducing improper payments includes the following actions developed under the A-123 Review Team's plan:</p> <ul style="list-style-type: none"> • Training field personnel on key controls and teach the importance of control procedures and the potential risks of noncompliance. Training will be delivered through various means including in person and via AgLearn, a USDA enterprise-wide learning management system. Communications and job aids then will follow to help facilitate compliance to controls; • Enhance individual accountability of controls by performing quarterly control testing on each employee's program-related payment transactions. A sample of five producer payments will be selected for each employee for quarterly testing. The results from these tests will be included as part of the employee's annual performance plans for the county, district and State executive directors; and • Integrate the employee's individual results into his or her annual performance rating. • Additionally, FSA's corrective action plan for reducing improper payments includes: Reiterating current program policies regarding program compliance through the issuances of national notices to State and county office personnel.

OTHER ACCOMPANYING INFORMATION

Agency	Program	Corrective Actions Planned
FS	Wildland Fire Suppression Management	<p>The first part of the corrective action plan has been implemented. The centralization of finance and budget to a central location has allowed standardization of the payment process. Additionally, the Internal Quality Assurance organization is enacting the requirements of OMB's A-123 Appendix A. Thus, the internal controls relating to payments have been evaluated. Efforts also are underway to remediate any processes where controls have failed. Finally, improper payment patterns found from reviewing the results of IPIA and Recovery Auditing will result in recommendations to agency leaders for improvement in specific areas.</p>
RD	Rental Assistance Program	<p>The agency now is implementing a corrective action plan because of the report's findings. Thus, the results of the corrective actions are not reflected in this report and may have impacted the error rate positively. The error rate increase is attributed to a change in the sampling plan and the revision to the survey form which captured more responsive information. Quality assurance issues appeared to be less of a problem with this re-designed instrument. Consequently, the data reported in this report may be more reliable. RD notes that, although the error rate increased, the dollar impact of the errors fell from \$27 million in FY 2005 to \$22.4 million in FY 2006. Recommendations for the FY 2006 report are the following:</p> <ul style="list-style-type: none"> • Errors found in this report must be followed up by Loan Servicers within the next three months and achieve resolution; • State offices must train field staff, borrowers and property managers in appropriate required documentation and follow-up with tenants and income-verifiers; • The national office will continue to pursue access to the U.S. Department of Health and Human Services new hires data to be shared with State offices. This legislation currently is being prepared for review by OMB; • Recognizing that the new hires data access process may take some time, State offices must participate with available wage matching programs and make such data available to borrowers if permitted. State office staff must ensure that such shared data are used by borrowers and property managers. The new regulation, 7 CFR part 3560, requires State offices to report quarterly on their efforts to participate in wage matching, where available; • The national office must complete its evaluation and restructuring of the supervisory visit procedure to strengthen and provide more focus when reviewing tenant files; • The national office should employ an independent contractor to undertake this study in the future. An independent contractor will provide objective and impartial analysis; • The national office will add to the Multi-Family Housing Program's Servicing Goals a requirement for State offices to be more aggressive in educating and training borrowers/management agents on calculating and documenting tenant's incomes; • Add 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; • Add to HB-2-3560, Multi-Family Housing Asset Management Handbook, Chapter 6 – Project Occupancy, a check list of required tenant file documentation; and • Develop a "Fact Sheet" for MFH tenants explaining their responsibilities and rights regarding income disclosure and verification.
RMA	Federal Crop Insurance Corporation Program Fund	<p>RMA is in the second year of the three-year review cycle established to determine the improper payment rate for the Federal Crop Insurance Program. The agency identified a lower-than-expected rate in the first round of random sampling, 1.90 percent absolute error. Despite this finding, the agency will not have a completed benchmark established until the review of 2006 crop year indemnities has been completed and reported in 2008. RMA negotiated and executed a new Standard Reinsurance Agreement starting in 2005. That agreement emphasizes improved quality controls and enhanced penalties that together should encourage participating companies who sell and service Federal crop insurance policies to improve the improper payments rate.</p>
NRCS	Farm Security and Rural Investment Programs	<p>Causes of improper payments identified in NRCS' risk assessments for Farm Bill programs can be categorized into four areas; statutory compliance, program compliance, eligibility and payment calculation. Each of the six programs the agency sampled had their own unique program rules which were incorporated into its testing. Three external audits on programs and one on its contracting tool, ProTracts, were in various stages of finalization during the planning and conducting of NRCS' IPIA work. As initial findings of these audits as they applied to IPIA were incorporated into its review, NRCS tried to not duplicate work and testing already performed. At the time of the review, no audit finding indicated an improper payment was determined by an audit. Specific internal controls resulting from these audits would not have been in effect for its sample period but will be tested once implemented.</p> <p>After reviewing the 765 samples NRCS found 24 improper payments. Starting with FY 2005, EQIP payments were made through the agency's new contracting tool, ProTracts. Business rules and internal controls built into ProTracts helped eliminate many of the types of improper payments we found last year. This year, the</p>

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Agency	Program	Corrective Actions Planned
NRCS (Cont'd)		<p>agency tested the internal controls that relate to program documentation, eligibility and payment calculation. NRCS found no instances of errors made by the software for program documentation and eligibility. It did find minor payment calculation errors due to a rounding routine under certain conditions and included these in the error rate. This error previously was known to exist and was corrected when discovered during the fiscal year. Our sampling of ProTracts originated payments (more than half of all samples) produced 5 of these errors. None were found after the rounding routine was corrected.</p> <p>Two manually calculated payment errors were found on program payments made outside of ProTracts. One was a transposition while the other was a typing error.</p> <p>Documentation issues for program compliance continue to be a source of improper payments. In all cases, the errors were on manually generated contracts and not related to ProTracts. NRCS found 11 improper payments where documents were not completed according to program rules or were missing entirely. These will be included in its report to leadership. NRCS is planning to convert all open manual contracts in the WHIP program to ProTracts in the next year. This would have eliminated 20 percent of the errors found in this program. The agency plans on strengthening its quality assurance testing and updating its contracting manual to address these issues.</p> <p>The potential for a participant to receive payment from more than one program for the same practice was found in two samples as the field offices completed the questionnaires. The Farm Bill prohibits payments for the same practice from different programs on the same tract of land in the same fiscal year. An April 26, 2006, external audit issued by the General Accounting Office on CSP highlighted this issue. A management decision will be made when that audit is final and NRCS is developing plans to implement the appropriate corrective action. Meantime, field offices have corrected the contracts to prevent the duplication of payments. NRCS is working on a way to uncover these cross over payments.</p> <p>Participant eligibility was a target area for this year's testing. Specifically, NRCS tested for Highly Erodible Land compliance, Wetland compliance and Adjusted Gross Income determinations. ProTracts has automated eligibility determinations for contracts and payments made through that tool. Field personnel would need to manually verify eligibility before making payments for programs outside of ProTracts. NRCS found four instances where eligibility determinations were not made prior to the payment. Two were manual transactions made outside of ProTracts. During the review, NRCS determined that the participant was in compliance when these two payments were made. Another error involved the adjusted gross income determination on a payment to an entity. This was a contract converted into ProTracts and not reconciled properly by the field at conversion. There is no record of receiving the AGI certification. The fourth error was a payment for a structural practice where the file did not support claims the participant had control of the land.</p> <p>Three errors were found in the calculation of easement purchase prices. One of our programs, the Wetland Reserve Program, underwent an OIG audit last year. The audit recommended improvements. NRCS has modified its conservation easement appraisal process to adopt procedures and processes for real estate acquisition consistent with Uniform Standards of Professional Appraisals and the Uniform Appraisals Standards for Federal Land Acquisition (aka "Yellow Book). NRCS has hired a chief appraiser who will review all administrative reviews of appraisals and conduct a technical review on all appraisals exceeding \$1 million. In February 2006, NRCS issued a national bulletin to address the remaining recommendation. These modifications to NRCS' easement acquisition process shall prevent improper payments. Recovery of the improper amounts found in its sample will be attempted.</p> <p>NRCS found one occurrence of a payment charged to Farm and Ranch Land Protection (FRPP) in error. FRPP only permits payments to co-operating entities to supplement the purchase of easements. All other costs are to be borne by the partnering co-operating entity. In this instance the payment was attributed to human error in entering the fund code. The transaction was corrected to the appropriate fund.</p> <p>The results of this years sampling will be reported to leadership. This information will be passed down to all State offices so that all may benefit from weaknesses found or where improvements can be made. Where specific action is needed to correct an error or where recovery is warranted, the State conservationist will be contacted.</p>

IV. Based on the Rate(s) Obtained in Step III, Set Annual Improvement Targets through FY 2007.

Improper Payment Reduction Outlook FY 2005 – FY 2008

The following tables contain summary level information 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 2005 represent measures of FY 2004 outlays and program activity. This change from FY 2004 reporting was implemented to comply with OMB Circular A-136 revised August 23, 2005.

Improper Payment Sampling Results (\$ in millions)						
Program	Reported in FY 2005			Reported in FY 2006		
	Outlays	IP%	IP\$	Outlays	IP%	IP\$
Marketing Assistance Loan Program, FSA/CCC	6,400	0.70%	45	7,950	20.26%	1,611
Food Stamp Program, FNS	24,358	5.88%	1,432	28,160	5.84%	1,645
National School Lunch & School Breakfast Programs, FNS [Note #1]	6,407	N/A	N/A	6,506	N/A	N/A
Women, Infants and Children, FNS [Note #2]						
Total Program	3,422	N/A	N/A	3,525	N/A	N/A
Certification Error Component	3,422	N/A	N/A	3,525	N/A	N/A
Vendor Error Component	3,422	N/A	N/A	3,525	0.60%	21
Child and Adult Care Food Program, FNS [Note #2]						
Total Program	2,061	N/A	N/A	2,065	N/A	N/A
FDC Homes – Tiering Decisions	888	N/A	N/A	864	1.80%	16
FDC Homes – Meal Claims	888	N/A	N/A	864	N/A	N/A
Milk Income Loss Contract Program, FSA/CCC [Note #3]	245	0.09%	0.2	9	N/A	N/A
Loan Deficiency Payments, FSA	453	1.00%	5	4,790	9.25%	443
Direct and Counter-Cyclical Payments, FSA/CCC [Note #4]	N/A	N/A	N/A	8,546	4.96%	424
Conservation Reserve Program, FSA/CCC [Note #4]	N/A	N/A	N/A	1,815	3.53%	64
FSA Disaster Programs, FSA/CCC [Note #4]	N/A	N/A	N/A	2,365	12.30%	291
Noninsured Assistance Program, FSA/CCC [Note #4]	N/A	N/A	N/A	109	22.94%	25
Wildland Fire Suppression Management, FS [Notes #2 & #5]						
Total Program	1,980	N/A	NA	725	N/A	N/A
Component Sampled	497	3.70%	18	285	2.49%	7
Rental Assistance Program, RD [Note #6]	846	3.19%	27	569	3.49%	22
Federal Crop Insurance Corporation Program Fund, RMA [Note #7]	3,170	0.89%	28	3,206	1.92%	62
Farm Security and Rural Investment Programs	1,027	1.55%	16	1,375	0.22%	3

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Detailed Breakout of Improper Payment Rates Reported in FY 2006 (\$ in millions)

	2006 Outlays	2006 Rate	2006 Improper Payments	Incorrect Disbursements (Dollars)	Incorrect Disbursements (Percentage)	Incomplete Paperwork (Dollars)	Incomplete Paperwork (Percentage)
Marketing Assistance Loan (FSA)	\$7,950	20.26%	\$1,611	\$17	0.21%	\$1,594	20.05%
Loan Deficiency Payments (FSA)	\$4,790	9.25%	\$443	\$53	1.11%	\$390	8.14%
Direct and Counter-Cyclical (FSA)	\$8,546	4.96%	\$424	\$67	0.78%	\$357	4.18%
Conservation Reserve Program (FSA)	\$1,815	3.53%	\$64	\$10	0.55%	\$54	2.98%
FSA Disaster (FSA)	\$2,365	12.30%	\$291	\$56	2.37%	\$235	9.94%
Nonissured Assistance (FSA)	\$109	22.94%	\$25	\$3	2.75%	\$22	20.18%
Food Stamp (FNS)	\$28,160	5.84%	\$1,645	\$1,645	5.84%	\$0	0.00%
Women, Infants, and Children (FNS)	\$3,525	0.60%	\$21	\$21	0.60%	\$0	0.00%
Child and Adult Care Food (FNS)	\$2,065	1.80%	\$16	\$16	0.77%	\$0	0.00%
Wildland Fire Suppression Management (FS)	\$725	2.49%	\$7	\$0	0.10%	\$7	2.39%
Rental Assistance (RD)	\$569	3.49%	\$22	\$22	3.87%	\$0	0.00%
Federal Crop Insurance Corporation (RMA)	\$3,206	1.92%	\$62	\$62	1.93%	\$0	0.00%
Farm Security and Rural Investment/ Conservation Security	\$2,695	0.22%	\$3	\$2	0.09%	\$1	0.02%
Total	\$66,520	6.97%	\$4,634	\$1,975	2.97%	\$2,659	4.00%

Future Reduction Targets for Improper Payments (\$ in millions)

Program	FY 2007 Estimates			FY 2008 Estimates			FY 2009 Estimates		
	Outlays	IP%	IP\$	Outlays	IP%	IP\$	Outlays	IP%	IP\$
Marketing Assistance Loan Program, FSA/CCC	4,565	18.00%	685	3,205	14%	256	10,050	10.00%	251
Food Stamp Program, FNS [Note #8]	30,588	6.20%	1,896	32,168	5.8%	1,866	TBD	5.7%	TBD
National School Lunch & School Breakfast Programs, FNS [Note #8]	7,623	TBD	TBD	7,777	TBD	TBD	TBD	TBD	TBD
Women, Infants and Children, FNS [Note #8]	5,170	TBD	TBD	5,185	TBD	TBD	TBD	TBD	TBD
Child and Adult Care Food Program, FNS [Note #8]	2,074	N/A	N/A	2,074	N/A	N/A	TBD	TBD	TBD
Milk Income Loss Contract Program, FSA/CCC	351	16.00%	56	330	9.00%	30	N/A	N/A	N/A
Loan Deficiency Payments, FSA/CCC	4,839	9.00%	436	4,258	6.00%	255	5,257	4.00%	131
Direct and Counter-Cyclical Payments, FSA	8,962	6.00%	538	7,317	5.00%	439	6,483	4.00%	259
Conservation Reserve Program, FSA/CCC	1,973	8.20%	158	2,100	6.00%	168	2,236	4.00%	56
Disaster Programs, FSA [Note #9]	159	17.00%	27	192	18.00%	33	N/A	N/A	N/A
Noninsured Assistance Program, FSA/CCC	102	26.00%		312			309	17.00%	
Wildland Fire Suppression Management, FS	407	1.00%	4	410	0.80%	3	406	0.60%	2
Rental Assistance Program, RD	769	3.44%	26	781	2.94%	23	793	2.44%	19
Federal Crop Insurance Corporation Program Fund, RMA [Note #10]	3,321	4.70%	156	3,300	4.60%	152	3,300	4.50%	149
Farm Security and Rural Investment Programs	291	0.80%	2	482	0.60%	2	556	0.50%	2

Note #1: The NSLP-SBP programs plan to report error rates for the 2005-2006 school year in the FY 2007 report. The national benefit status error rate reported in FY 2006 on applications for school year 2004-2005 is 4.3 percent.

Note #2: WIC, CACFP and the Wildland Fire Suppression Management all tested components of their total program. WIC tested a component of the payment process on a sample of all outlays. CACFP tested a component of the payment process of a component of the total outlays. Wildland Fire Suppression Management tested all of the payment process on a component of the total outlays. While Wildland Fire Suppression Management tested the higher risk vendor payments, it did not test the lower risk outlays related to salaries.

Note #3: MILC was not tested in FY 2006 due to very low outlays during FY 2005. Testing will resume in FY 2007 reviewing outlays during FY 2006. MILC expires, September 30, 2007. Thus, no outlays are expected beyond FY 2007.

Note #4: The DCP, CRP, CDP and NAP programs were declared high risk in FY 2006. No testing was performed or required in FY 2005.

Note #5: USDA is revising the FY 2005 results for the Wildland Fire Suppression Management program. Only the portion of the program related vendor payments was sampled and the 3.7-percent error rate should be applied only to that component of the program. The remaining component of the program, salaries, was not considered susceptible to improper payments and not sampled. The entire program will be sampled for FY 2007 reporting.

Note #6: FY 2005 and FY 2006 results were based on partial samples of the current fiscal year. Starting with FY 2007 reporting, the statistical sample will be based on the entire prior fiscal year. This will result in both the FY 2006 and FY 2007 reporting results being based on FY 2006 outlays.

Note #7: Both the FY 2005 and FY 2006 reports show results of the 2004 crop year. The FY 2005 report was from a industry compliance review performed by the insurance companies. The FY 2006 report is based on an internal review performed by government staff.

Note #8: FNS programs will develop FY 2008 estimated outlay projections and reduction targets as part of the FY 2008 budget process. Currently, only the Food Stamp reduction target is available.

Note #9: The program currently is not authorized in FY 2008 and does not have any estimated outlays.

Note #10: RMA has completed the first third of a three year testing cycle. Until all three years are complete, RMA cannot statistically project an error rate.

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 expanded its recovery audit program to seven additional agencies in FY 2006. The remaining smaller programs were excluded from the review. All agencies used an independent recovery audit firm working on contingency.

Specific types of payment errors found during the course of the recovery audit process include:

- Open credits identified on vendor statements - \$373,860.53; and

■ Duplicate payments \$5,556.10

Steps taken to reduce future errors include strengthening internal controls by providing information related to all recovered monies and the underlying transactions to management. Additionally, training that indicates the causes of improper payments made is provided to various Forest Service employees.

The most successful method of identifying funds to be recovered has been the review of vendor statements. Vendor statement reviews for FY 2006 were delayed until August 2006. USDA anticipates that these reviews will result in significant recoveries during FY 2007. Most amounts identified during FY 2006 were due to the vendor statements reviews started in FY 2005.

FY 2006 Recovery Auditing Results (\$ in Million)						
Agency Component	Amount Subject to Review for FY 2006 Reporting	Actual Amount Reviewed and Reported	Amounts Identified for Recovery	Amount Identified /Actual Amount Reviewed	FY 2006 Amounts Recovered [Note #12]	FY 2005 Amounts Recovered
Forest Service	2,385.313	2,385.313	0.005	0.00%	0.164	0.189
Natural Resources Conservation Service	1,745.703	1,745.703	0.000	0.00%	0.000	N/A
Agricultural Research Service	484.787	484.787	0.000	0.00%	0.000	N/A
Animal Plant Health Inspection Service	815.532	815.532	0.374	0.05%	0.374	N/A
Farm Service Agency	178.361	178.361	0.000	0.00%	0.000	N/A
Food Safety and Inspection Service	89.636	89.636	0.000	0.00%	0.000	N/A
Rural Development	152.272	152.272	0.000	0.00%	0.000	N/A
Agricultural Marketing Service	93.061	93.061	0.000	0.00%	0.000	N/A
All Others	1,604.000	0.000	N/A	N/A	N/A	N/A
USDA Total	7,548.665	5,944.665	0.379	0.01%	0.538	0.189

Note #12 Amounts recovered in FY 2006 include some recoveries identified in FY 2005.

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 steps have or will be taken to ensure agency managers are held accountable for reducing and recovering improper payments:

- The A-123 Project Team's corrective action plan requires compliance testing as part of performance review criteria. To enhance the importance of compliance at the individual employee level, a sample of five producer payments will be selected for each employee for testing each quarter. The results from these quarterly tests will be included as part of the employee's annual performance review and rating. Moreover, these results will be rolled up into the performance plans for the county, district and State executive directors;

- National and State office Federal managers must ensure that program policies and procedures are provided to State and county office employees accurately and on time. Federal managers also responsible, as reflected in the performance based rating measures, for overall program administration at the national level;
- All county office employees are charged with paying producers and following all administrative steps in doing so. When program payments are made improperly, the tool of disciplinary action is available; and
- The Deputy Administrator for Field Operations (DAFO) will facilitate necessary meetings among the respective program areas. These meetings organized by DAFO would discuss additional action necessary for senior management to address accountability.

FNS

FNS has a corporate priority 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 is to continue to reduce the error rate. 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 has incorporated all the goals and objectives of the President's Management Agenda (PMA) including IPIA in the performance standards for all senior executive service positions. Additionally, the field offices will incorporate a new servicing goal to implement reduction actions as part of their servicing goal compliance requirements.

RMA

RMA has 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, a strategic objective element was placed into every employee's performance plan agreement beginning in 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 this year.

VII A. Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.

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 statute commonly is referred to the “Finality Rule.”

FNS

The 2002 Farm Bill restricts the liability levels States can be sanctioned due to high error rates. It also restricts the amount of bonus funding available to States that do a good job reducing and maintaining a low error rate. Additionally, in many instances the goal of providing easy access to benefits must be balanced with the goal of reducing improper and erroneous payments. While the risks involved vary by program, some general characterizations can be made:

- Program administration is decentralized and can involve a myriad of governmental and non-governmental organizations;
- States and localities tend to focus on managing local funds, rather than Federal funds; and
- Proper implementation of nutrition-assistance programs requires a high accuracy rate.

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

AALO – Agency Audit Liaison Officials	EA – Enterprise Architecture
ABAWD – Able-Bodied Adults Without Dependents	EAB – Emerald Ash Borer
AHMS – Animal Health Monitoring and Surveillance	ECMM – Enterprise Correspondence Management Module
AI – Avian Influenza	EDI – Electronic Data Interchange
AIT – Assessment Implementation Team	EPP – Emerging Plant Pest
ALLRTE – All Ready to Eat	EQIP – Environmental Quality Incentives Program
AMP – Asset Management Plan	ERS – Economic Research Service
ARMS – Agricultural Resources Management Survey	EU-25 – European Union
ARS – Agricultural Research Service	FAPSIM – Food and Agricultural Policy Simulator
ART – Account Relationship Tool	FB4P – Federal Biobased Products Preferred Procurement Program
ASB – Agricultural Statistics Board	FCIC – Federal Crop Insurance Corporation
ASEAN – Association of South East Asian Nations	FDCH – Family Day Care Homes
ASSERT – Automated Security Self-Elevation and Remediation Tracking	FDMS – Federal Docket Management System
ATM – Audit Tracking Module	FFE – The McGovern-Dole International Food for Education and Child Nutrition Program
AWCC – Agricultural Wildlife Conservation Center	FLP – Farm Loan Program
B&I – Business and Industry	FLPIDS – Farm Loan Program Information Delivery System
BBP – Building Block Plan	FMFIA – Federal Managers' Financial Integrity Act
BEA – Bureau of Economic Analysis	FMLOB – Financial Management Line of Business
BSE – Bovine Spongiform Encephalopathy	FMMI – Financial Management Modernization Initiative
CACFP – Child and Adult Care Food Program	FNS – Food and Nutrition Service
CAFTA – Central American Free Trade Agreement	FRPC – Federal Real Property Council
CAP – Combined Application Projects	FRPP – Farm and Ranch Land Protection
CCAP – Child Care Assessment Project	FS – Forest Service
CCC – Commodity Credit Corporation	FSA – Farm Service Agency
CCPI – Cooperative Conservation Partnership Initiative	FSP – Food Stamp Program
CDC – U.S. Centers for Disease Control and Prevention	FSRIA – Farm Security and Rural Investment Act of 2002
CEAP – Conservation Effects Assessment Project	FTA – Free Trade Agreement
CFP – Conference of Food Protection	FTBU – Funds to Be Put to Better Use
CHRP – Citrus Health Response Plan	FY – Fiscal Year
CNMP – Comprehensive Nutrient Management Plan	GAO – Government Accountability Office
CNPP – Center for Nutrition Policy and Promotion	GLCI – Grazing Lands Conservation Initiative
CORP – County Office Review Program	GMP – Good Manufacturing Practices
CRP – Conservation Reserve Program	GMSS – Global Marketing Support Services
CSP – Conservation Security Program	GWSS – Glassy-Winged Sharpshooter
CSREES – Cooperative State Research, Education and Extension Service	HACCP – Hazard Analysis and Critical Control Point
CTA – Conservation Technical Assistance	HEI – Health Eating Index
CWPP – Community Wildlife Protection Plan	HFI – Healthy Forest Initiative
DAFO – Deputy Administrator for Field Operations	HFRA – Healthy Forests Restoration Act of 2003
DC – Disallowed Costs	HSPD-9 – Homeland Security Presidential Directive 9
DCP – Direct and Counter-Cyclical Payments	IAS – Integrated Acquisition System
DCIA – Debt Collection Improvement Act	IICA – Inter-American Institute for Cooperation on Agriculture
DOI – United States Department of the Interior	IOU – Investor Owned Utility
e-LDP – Electronic Loan Deficiency Payment	IPIA – Improper Payments Information Act

OTHER ACCOMPANYING INFORMATION

ISO – International Organization for Standardization	PRS – Performance Results System
IT – Information Technology	QC – Quality Control
MAL – Marketing Assistance Loan	QSVP – Quality System Verification Program
MFIS – Multi-Family Housing Information System	R&D – Research and Development
MILC – Milk Income Loss Contract	RD – Rural Development
MWM – Master Woodland Manager	RFE – Request for Information
NACMCF – National Advisory Committee on Microbiological Criteria for Foods	RMA – Risk Management Agency
NAFTA – North American Free Trade Agreement	RND – Results Not Demonstrated
NAHSS – National Animal Health Surveillance System	RTE – Ready-to-Eat
NAHLN – National Animal Health Laboratory Network	SAFE – Safety Awareness in the Food Environment
NAIS – National Animal Identification System	SAT – Senior Assessment Team
NAP – Noninsured Assistance Program	SBP – School Breakfast Program
NCES – National Center for Educational Statistics	SCN – Soybean Cyst Nematode
NDB – National Data Bank	SCOAP – State and County Office Automation Project
NDVI – Normalized Difference Vegetation Index	SEBAS – Socio-Economic Benefits Assessment System
NECX – North East Correctional Center	SFA – School Food Authority
NHANES – National Health and Nutrition Examination Survey	SMCC – Senior Management Control Council
NITC – National Information Technology Center	SOD – Sudden Oak Death
NRCS – Natural Resources Conservation Service	SPOTS – Specific Placement of Treatments
NSLP – National School Lunch Program	SPS – Sanitary and Phytosanitary
NSS – The 2002 National Security Strategy of the United States	SRA – Standard Reinsurance Agreement
OCFO – Office of the Chief Financial Officer	TCB – Trade Capacity Building
OCIO – Office of the Chief Information Officer	TFP – Thrifty Food Plan
OEPNU – The Office of Energy Policy and New Uses	TOP – Treasury Offset Program System
OIG – The Office of Inspector General	TPA – Trade Promotion Authority
OMB – The U.S. Office of Management and Budget	TSC – Technical Service Center
OPM – The U.S. Office of Personnel Management	TTPP – Tobacco Transition Payment Program
ORAS – Operations Review and Analysis Staff	USAID – United States Agency for International Development
PAM – Polyacrylamide	USDA – United States Department of Agriculture
PART – Program Assessment Rating Tool	USTR – United States Trade Representative
PC – Plum Curculio	WAOB – World Agricultural Outlook Board
PMA – Performance Management Agenda	WEPS – Wind Erosion Protection System
POAM – Plan of Action and Milestones	WFP – World Food Program
PRCH – Purchase Order System	WIC – The Special Supplemental Nutrition Program for Women, Infants and Children
PREP – Pathogen Reduction Enforcement System	WRP – Wetlands Reserve Program
PP&E – Property, Plant and Equipment	WTO – World Trade Organization