



United States
Department of
Agriculture

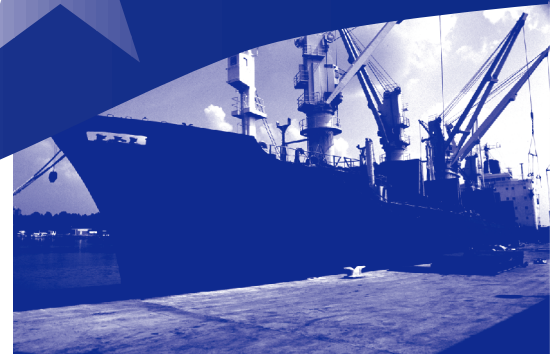
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On the cover: The photos depict various aspects of the U.S. Department of Agriculture (USDA) mission. The American flag design symbolizes the unity of the Nation's populace, agencies, and functions in the aftermath of the terrorist attacks on September 11, 2001. USDA photos.

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



November 15, 2001

The Honorable Ann M. Veneman
Secretary of Agriculture
Washington, D.C. 20250

Dear Madam Secretary:

I am pleased to provide the Office of Inspector General's (OIG) Semiannual Report to Congress summarizing our activities for the 6-month period that ended September 30, 2001.

During this period, our audits and investigations yielded \$32 million in recoveries, collections, restitutions, fines, claims established, costs avoided, and administrative penalties. Management agreed to put \$78 million to better use. We identified one-half of a million dollars in questioned costs that cannot be recovered. Our investigations produced 181 indictments and 172 convictions.

The events of September 11 and the subsequent anthrax attacks have given new urgency to issues of security over the U.S. Department of Agriculture's infrastructure and the agricultural economy. OIG has redirected its resources toward two fronts—maintaining the integrity of Department programs and helping the Department strengthen its defenses against activities that might threaten Government facilities, production agriculture, and the Nation's food supply.

We do not come to this role unprepared. The work we have done in the past, the experience we have gained in protecting the integrity of Department programs, and the relationships we have made with Federal, State and local police departments have armed us against the threats the Department now faces. We and the rest of the law enforcement community are ready to act as one front against domestic and international terror.

Sincerely,

A handwritten signature in black ink that reads "Joyce N. Fleischman". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

JOYCE N. FLEISCHMAN
Acting Inspector General

Enclosure

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In Focus: USDA and the Terrorist Threat

The events of September 11 and the subsequent anthrax attacks have given new urgency to issues of security over the U.S. Department of Agriculture's (USDA) infrastructure and the agricultural economy. Systems that ensure the protection of the Nation's food supply have taken on even greater moment. The mission of the Office of Inspector General (OIG) is to investigate allegations of crimes against the Department's programs, and to promote the economy and efficiency of its operations, with the object of helping it protect its programs and ensure their integrity. This experience in security matters and law enforcement uniquely positions OIG to help the Department respond to the new and dangerous environment introduced by the attacks on New York and Washington. Consequently, within this current reporting period, OIG has redirected its resources toward two fronts—maintaining the integrity of Department programs and helping the Department strengthen its defenses against activities that might threaten Government facilities, production agriculture, and the Nation's food supply.

As events have unfolded, we found the Department singularly united in its response to the attacks. USDA agencies have worked together and with OIG to protect the food supply and to ensure that the Department continues to serve the needs of the farmer and the consumer. OIG has helped the agencies establish teams of dedicated personnel to respond to each emerging crisis. The magnitude of this emergency and the importance of preserving the Nation's food supply from threats both domestic and foreign have placed enormous demands on the resources of the Department.

Even before September 11, OIG was involved in departmental efforts to ensure that animal and plant diseases from abroad did not infect agricultural production in this country. At the outbreak of Foot and Mouth Disease (FMD) in Britain and elsewhere, we began establishing emergency response teams to investigate any similar threat to American livestock. Team members traveled to the United Kingdom to gain firsthand knowledge of the measures needed to counter any criminal activity involved in such an outbreak. Simultaneously, auditors in this country tested the systems designed to prevent importation of any infected meat products, while investigators intensified their efforts to dismantle any smuggling operations that would bring uninspected plants, animals, or meat products into the United States.

With cyberattacks on Government systems a continuing problem, OIG has undertaken a growing number of audits and reviews, as well as investigations of criminal activity involving the Department's computer systems. We have joined forces with the Chief Information Officer and agency information managers to enhance the security of and protect the Department's information technology systems. As more and more Government programs come to depend on information technology for their delivery, this component of the Department's infrastructure has become the linchpin both of program integrity and of operational control. We have identified weaknesses in this component in the past, and we will continue to make recommendations to ensure that the flow of information vital to the Department's business cannot be disrupted. Computer security will become even more critical as the President's e-Government initiative, providing for on-line customer transactions, is phased in, particularly in overseas areas where broader foreign markets are being sought.

In the aftermath of September 11, OIG's law enforcement efforts focused substantially on homeland security. Special agents responded to an increased number of threats to USDA employees and facilities and provided assistance to investigate the attacks in New York. OIG assigned 32 special agents to counter-terrorism task forces and to nationwide criminal investigations related to the events of September 11. In joining the pursuit of suspected terrorists, we have matched the Federal Bureau of Investigation's (FBI) "watch list" against databases available to the Department. We are also assisting the FBI in investigating agriculture-related issues. This assistance will continue.

Because disruption of the U.S. Government appears to be one goal of terrorism, we have heightened our protection of the Secretary and joined in ensuring the continuation of USDA functions in the event of further assaults. We are accelerating our review of controls over accidental or intentional release of biohazards, with an emphasis on the physical security of USDA laboratories around the Nation where the Department stores biological materials used in research and diagnostic work that could be harmful to plants and animals. Similarly, we are devoting increased resources to our reviews of controls over genetically engineered organisms, or GEOs, whose premature release into the environment in an untested state could damage the agricultural economy. Our past investigations of

vandalism at USDA facilities by ecoterrorists have already resulted in a heightened awareness of security at these locations.

Other environmental concerns have also placed demands on OIG's resources. Current audits of the Nation's fire plan are aimed at shoring up weaknesses in the Department's ability to respond to major forest fires. Although these audits were initially undertaken within the context of past years' devastating fires in Idaho and New Mexico, our focus will now include the possibility of intentional acts of destruction to our natural resources.

Protecting the integrity of USDA programs remains as critical a responsibility for OIG as does securing the Department's infrastructure. Our ongoing investigations into food stamp fraud continue to rid the program of illegal participants. Operation Talon, an initiative to identify and arrest fugitive felons who apply for food stamp benefits, is now in its fourth year and reports over 7,800 arrests. We must also find time to intensify our pursuit of those who traffic in food stamps and those who defraud the program using Electronic Benefits Transfer, or EBT. Criminal assault on these benefit programs costs the Department millions of dollars over time and can fuel even broader criminal activity. We have routinely focused our investigations of benefits trafficking on the money trail and know that some of the illegally gained money is finding its way overseas. We have made great efforts to halt this fraud through aggressive use of money laundering and forfeiture statutes.

The September 11 attacks have caused us to concentrate more sharply on USDA's fundamental operations within the context of the 21st century. The effects of more efficient means of production, more rapid communications, free trade, and the freer, faster

pace of movements around the globe have contributed to a new operational environment and a new set of management challenges. To help the Department respond to these challenges, and to keep pace with them ourselves, we are undertaking a complete review of our own activities. We want to see how we can better use our existing resources through additional training for employees, better equip our personnel, and determine what specific additional resources we might need. This would include personnel with specialized skills, such as computer scientists and systems engineers. Limited funding, new statutory mandates, and now unanticipated criminal threats have placed increasing demands on OIG's resources. By reengineering our business practices, we plan to take full advantage of state-of-the-art technologies in our audit and investigative activities, streamline operations, and increase efficiencies.

Clearly, the events of September 11 have impacted the way USDA does business. These events have also enlarged the role that OIG must play in helping the Department through the days ahead. But we do not come to this role unprepared. The work we have done in the past, the experience we have gained in protecting the integrity of Department programs, and the relationships we have made with Federal law enforcement and, especially, with State and local police departments have armed us against the threats the Department now faces. As an alerted citizenry continues to report suspicious activities, we will help in all ways we can. The equipment we have already provided to State and local law enforcement agencies with asset forfeiture funds and the communications links we have developed have extended the effectiveness of our own reach. We and the rest of the law enforcement community are ready to act as one front against domestic and international terror.

Executive Summary

This is the 46th Semiannual Report of the Office of Inspector General (OIG), U.S. Department of Agriculture (USDA), pursuant to the provisions of the Inspector General Act of 1978 (Public Law 95-452), as amended. This report covers the period April 1 through September 30, 2001.

In accordance with the requirements of the Inspector General Act, this report describes matters relating to the Department's programs and operations which occurred during the reporting period. These include significant problems, abuses, and deficiencies; significant recommendations for corrective action; prior significant recommendations unimplemented; prosecutorial referrals; information or assistance refused; a list of audit reports; a summary of significant reports; tables on questioned costs and funds to be put to better use; previous audit reports unresolved; significant revised management decisions; any significant management decision disagreements; and a review of legislation and regulations.

Monetary Impact and Results

During this reporting period, we issued 58 audit and evaluation reports and reached management decisions on 53. Based on this work, management officials agreed to recover \$4 million and to put an additional \$78.6 million to better use.

We also issued 269 reports of investigation during this period. Our investigative efforts resulted in 181 indictments, 172 convictions, and approximately \$28.2 million in recoveries, fines, restitutions, claims established, cost avoidance, and administrative penalties.

USDA and the Terrorist Threat

In our special introductory section on USDA and the terrorist threat, we have highlighted what we have been focusing on since the September 11 and subsequent attacks. These events have given new urgency to issues of security over the USDA infrastructure and the agricultural economy. OIG has redirected its resources both to maintain the integrity of Department programs and help the Department strengthen its defenses against activities that threaten Government facilities and agricultural production. We have redoubled our efforts in certain key areas where we were already devoting much time and resources. Because we had established

initiatives in place, we have been able to capitalize on our knowledge of and expertise in USDA programs and the agricultural economy and our relationships with Federal, State, and local law enforcement agencies to address heightened challenges and issues quickly and effectively.

Protecting the Food Supply

With the outbreak of Foot and Mouth Disease in Europe and, subsequently, South America, we conducted a special review of the controls and procedures employed by the Department to prevent the entry into the United States of the disease via imported meat. We found that enhanced controls were needed to reduce the possibility of such entry. Communications between the Animal and Plant Health Inspection Service (APHIS) and the Food Safety and Inspection Service (FSIS), the two USDA agencies responsible for regulating the entry of imported meat, were weak. APHIS needed to improve its accountability over imported products from their arrival at U.S. ports of entry through their disposition by the respective agencies. APHIS and FSIS agreed with the findings and recommendations and are acting on them.

Three of our investigations resulted in significant criminal penalties against meat processors that distributed products contaminated by the deadly bacteria *Listeria monocytogenes*, which had sickened and killed people who consumed it. Our rapid emergency responses immediately halted distribution of the products.

Information Technology

One of the more significant dangers USDA, as well as other public and private entities, faces is cyberterrorism. The dependence on information technology (IT) and the Internet has exposed USDA's billions of dollars in assets and its critical infrastructure to additional criminal and security vulnerabilities. The Department has taken positive action by developing a plan to strengthen USDA information security; however, our audits continue to identify deficiencies in USDA's security posture. Our audits of several agencies found inadequate controls over access to systems and over sensitive information, as well as security vulnerabilities. Our Government Information Security Reform Act review disclosed that the Department is still far from effectively managing and securing IT resources.

Criminal investigations have resulted in the conviction of an employee using USDA IT resources to sexually exploit children over the Internet. Numerous program participants were convicted for illegally gaining millions of program dollars via electronic commerce systems such as the Food Stamp Program's Electronic Benefits Transfer system.

Financial Management and Accountability

Financial crimes and management irregularities remain significant challenges for the Department. For the past 7 years, we have disclaimed an opinion on the Department's consolidated financial statements. This means the Department does not know whether it properly accounted for the money it collected, the cost of operations, and assets of well over \$100 billion. This period, the Forest Service (FS) and the Commodity Credit Corporation (CCC) were unable to complete their financial statements in time for us to audit them by the legislatively mandated timeframe of March 1. Our subsequent audit work of these entities resulted in a disclaimer of opinion. Investigative efforts resulted in the recovery of millions of dollars lost to contract fraud and embezzlements.

Abuse of USDA Programs and Operations

OIG investigations continue to focus only on the most egregious cases of criminal activity in USDA programs

and operations. Our efforts pursued criminal activity committed by USDA employees, directed at USDA employees or companies, or committed by others to affect USDA programs. Examples include the conviction of an Agricultural Marketing Service (AMS) produce inspector and produce company owners for bribery in a scheme to cheat produce farmers. We also participated in a joint investigative effort to stop a gang of 12 thieves who were preying on farmers in the Midwest, stealing over \$5 million in farm equipment, much of which was collateral for USDA loans.

OIG continues to audit other major departmental programs and functions, and make recommendations that will increase efficiency and reduce wasteful and fraudulent activities. Examples include: (1) watermelon crop insurance claims of \$1.5 million filed by three producers who were not eligible; (2) food service management companies engaged to operate school lunch and breakfast programs that did not pass on to school districts purchase discounts of \$237,000 or failed to credit school districts with \$2.9 million of USDA-donated commodities; (3) FS' Northeastern Forest Experiment Station improperly used cooperative agreements to sell timber, resulting in an unauthorized retention of \$2 million and failure to pay West Virginia \$342,000; and (4) four management companies charged the Rural Rental Housing (RRH) Program with excessive and questionable insurance expenses totaling over \$595,000.

Summary of Audit Activities

Reports Issued		58
Audits Performed by OIG	48	
Evaluations Performed by OIG	0	
Audits Performed Under the Single Audit Act	5	
Audits Performed by Others	5	
Management Decisions Made		
Number of Reports		53
Number of Recommendations		383
Total Dollar Impact (Millions)		\$83.0
Questioned/Unsupported Costs	\$4.4 ^{a,b,c}	
Recommended for Recovery	\$4.0	
Not Recommended for Recovery	\$0.5	
Funds To Be Put to Better Use	\$78.6	

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

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

^c Because of rounding, this number does not equal the addition of the two numbers composing it. See Appendix I for exact numbers.

Summary of Investigative Activities

Reports Issued		269
Cases Opened		206
Cases Closed		415
Cases Referred for Prosecution		161
Impact of Investigations		
Indictments		181
Convictions		172 ^a
Searches		78
Arrests		659 ^b
Total Dollar Impact (Millions)		\$28.2
Recoveries/Collections	\$ 2.8 ^c	
Restitutions	\$18.2 ^d	
Fines	\$ 4.1 ^e	
Claims Established	\$ 2.0 ^f	
Cost Avoidance	\$ 0.9 ^g	
Administrative Penalties	\$ 0.2 ^h	
Administrative Sanctions		
Employees		33
Businesses/Persons		395

^a Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 172 convictions do not necessarily relate to the 181 indictments.

^b Includes 522 Operation Talon arrests and 137 arrests not related to Operation Talon.

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

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

^e Fines are court-ordered penalties.

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

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

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

Protecting the Food Supply

Protecting U.S. agriculture and ensuring safe and wholesome meat and poultry is one of the primary challenges facing USDA. One of OIG's chief missions is to ensure the safety of the American food supply, both by auditing food safety programs to detect deficiencies and recommend improvements and by investigating criminal activity involving the intentional contamination of food products; the processing and sale of adulterated meat, poultry, and egg products; and the substitution, adulteration or other misrepresentation of food products regulated or inspected by USDA. Further, OIG plays an important role in protecting the U.S. agriculture infrastructure from possible harm due to the accidental or intentional introduction of foreign pests and diseases. Foreign plant and animal pests and diseases can be financially devastating to farmers, expensive for Federal and State Governments seeking to eradicate them, and dangerous, sometimes fatal, to people, animals, and crops.

OIG's work ranges from detecting criminal smuggling of plants, animals, vegetables, fruits, and meats from overseas to investigating reports of illegal activity at meat and poultry processing plants to following up on reports of adulterated products in stores. This mission has become even more critical now, as the threat of intentional contamination of food for terrorist purposes has become more real. We also can never ignore the continuing threats to consumers caused when some unscrupulous businesses place profit above public safety, failing to report and destroy food contaminated by dangerous pathogens or even actively adulterating food to increase their profit.

AUDIT WORK TO IMPROVE MANAGEMENT OF PROTECTION OF THE FOOD SUPPLY

Enhanced Controls Needed To Control Imported Meat

As we reported in July of this year, we undertook an expedited review of APHIS and FSIS functions with regard to imported meat. APHIS has the primary responsibility for ensuring that animal products do not enter the United States if they are from restricted countries, e.g., those with FMD, or if they are contaminated by diseases such as African swine fever. FSIS reinspects imported meat products after APHIS officers determine they may enter the country. OIG looked at the two agencies' activities at five FSIS

inspection houses in Maryland and New Jersey, as well as APHIS' three regional offices and the major ports of Miami, Florida; Houston, Texas; Long Beach, California; Philadelphia, Pennsylvania; and Detroit, Michigan. We found a number of activities that needed improvement and made recommendations to correct the identified problems. APHIS and FSIS agreed with the findings and recommendations and began implementation of corrective actions immediately.

The fundamental problem, we learned, was a failure to communicate between APHIS and FSIS. In order for the process of inspection, reinspection, and clearance (or rejection) of imported meat to work efficiently to prevent embargoed product from entering the United States, e.g., meat from FMD-restricted countries, and to allow unrestricted product to enter in a timely manner, the two agencies must communicate in an organized and punctual manner. This did not always occur. For instance, a shipment of over 32,000 pounds of meat products from an FMD-restricted country arrived in the Port of Houston and was released to an FSIS inspection house, but through error was moved to a warehouse in San Antonio, Texas. FSIS had not been informed to expect the product at its inspection house and was notified after the broker discovered the error 9 days after the release. The product was returned to Houston, where over one-sixth of it had to be destroyed because it was produced after the restricted date. The remaining product had been produced prior to the restricted date and was allowed into commerce.

We also found that APHIS needed to improve its accountability over imported products from their arrival at U.S. ports-of-entry through their disposition by the respective agencies. There was no central automated system that controlled imports entering U.S. ports-of-entry through their disposition. More important, neither APHIS nor FSIS had an adequate system of controls or records that could produce such information. APHIS had to manually search the records at each port to provide a record of inventory of held shipments and product forwarded to inspection houses which OIG could use to take a physical inventory of product associated with selected ports-of-entry. Without the underlying controls or system of records, there was little assurance that our physical inventory represented all of the product.

We recommended that APHIS and FSIS implement new procedures to strengthen their communication and coordination at the field level, and issue instructions specifically identifying the responsibilities of each agency regarding the handling of products from restricted countries. We also recommended that APHIS discontinue its policy of allowing mixed shipments of enterable and nonenterable products to enter the country for sorting, and that the agencies jointly conduct an inventory to identify and account for all such products that had entered the United States from FMD-restricted countries and ensure the disposition of any that still remained. We recommended that APHIS improve its systems to track and account for products that are retained on hold at the ports-of-entry, and to flag instances where such products have remained for an unreasonable amount of time. Both APHIS and FSIS agreed with the findings and recommendations and are acting on them.

OIG is now reviewing FSIS' reinspection of imported meat and poultry products as they enter the United States, as well as equivalency determinations of foreign inspection systems in terms of the Hazard Analysis and Critical Control Point System and microbial product testing. A review of APHIS' inspection activities at ports-of-entry designed to prevent the introduction of foreign plant and animal pests and diseases, which are harmful to U.S. agriculture, is currently underway.

INVESTIGATIONS TO PURSUE SPECIFIC THREATS

Major Food Processor Guilty of Producing and Distributing Adulterated Products

In June 2001, attorneys for a major food-processing corporation entered a plea of guilty in U.S. District Court to producing and distributing adulterated meat and poultry products. From June to September 1998, one of its processing plants produced and distributed food products that contained the bacterium *Listeria monocytogenes*. Sentencing included the maximum fine of \$200,000 with an agreement to underwrite food safety research projects by funding a \$3 million grant to Michigan State University. The corporation also settled a civil lawsuit relating to the 1998 sale of meat products to the U.S. Department of Defense by paying more than \$915,800, as well as Government investigative costs, resulting in a total civil settlement of more than

\$1.2 million. FSIS compliance officers assisted in the investigation.

Corporation Fined for Distribution of Adulterated Meat Products

A Michigan-based corporation pled guilty in Federal court to the distribution of adulterated food products and was fined \$50,000. The plant involved was in Arkansas. On April 13, 1999, FSIS deemed over 21 million pounds of meat and poultry products produced at this plant unfit for human consumption and withdrew the mark of inspection. Our investigation showed that the corporation failed to notify FSIS of 16 positive tests for *Listeria monocytogenes* in 1997 and 1998. The corporation has since declared bankruptcy and has been sold. Assisting in the investigation were FSIS compliance officers and the Office of Special Investigations, U.S. Air Force.

Florida Corporation Pleads Guilty to Adulteration of Meat Products

A major food store chain's meatpacking plant located in Madison, Florida, pled guilty to Federal charges of selling meat products contaminated with *Listeria monocytogenes*. An OIG investigation revealed the corporation failed to acknowledge lab tests that showed a presence of the deadly pathogen. The corporation recalled approximately 4.5 million pounds of meat and poultry products and has invested over \$1 million to update its plant with new processing equipment. The corporation was fined \$20,000.

Six Milk Drivers and Dairymen Convicted in Milk Adulteration Scam

As previously reported, a series of investigations dubbed "Operation Got Water" in Louisiana and Mississippi found that milk truck drivers and dairymen added salt and water to raw milk in order to increase the weight of the daily milk production, resulting in higher payments to the dairymen. Four drivers and two dairymen have now been convicted and sentenced to terms that range from 3 years' probation to 5 months in Federal prison. They have been ordered to make restitution ranging from \$7,500 to \$23,000. This matter was worked jointly with the U.S. Attorney's Office for the Eastern District of Louisiana and the Food and Drug Administration's (FDA) Office of Criminal Investigations (OCI).

California Firm Agrees to Monetary Penalty

A large fresh fruit company headquartered in California agreed to pay USDA an administrative penalty of \$180,000 in lieu of having its Perishable Agricultural Commodities Act license suspended. The firm had imported six truckloads of grapes into the United States without obtaining the required USDA inspections. Counterfeit USDA Certificates of Inspection were then used to sell the fruit. The company through its own records found that the inspection certificates were fraudulent and reported it to USDA, which prompted OIG's investigation.

Information Technology

One of the more significant dangers USDA faces is an attack, whether by terrorists seeking to destroy unique databases or more typical criminals seeking economic gain. The dependence on IT and the Internet has exposed USDA's billions of dollars in assets and its critical infrastructure to predators who use a new form of weapon against the Department's programs and operations. The Department has numerous information assets that include market sensitive data on the agricultural economy and commodities, signup and participation data for programs, personal information on customers and employees, and accounting data. The information and related systems face unprecedented levels of risk from intentional or accidental disruption, disclosure, damage, or manipulation. Public confidence in the security and confidentiality of the Department's information and technology is essential. The Department has taken positive action by developing a plan to strengthen USDA information security; however, our audits continue to identify deficiencies in USDA's security posture, while investigations have identified employee and program participant criminal activity.

AUDITS TO STRENGTHEN USDA'S IT SECURITY

GISRA Review Discloses Department Still Far From Effectively Managing and Securing IT Resources

Congress passed the Government Information Security Reform Act (GISRA) to seek to ensure proper management and security for the information supporting Federal operations and assets. Our audits have identified that USDA, through the work of the Office of the Chief Information Officer (OCIO), has a Departmentwide security plan in place and has begun improving security over the Department's IT resources. Despite its efforts, however, the Department remains noncompliant with several requirements of Office of Management and Budget (OMB) Circular A-130 and Presidential Decision Directive 63. Before the appointment of a Chief Information Officer, departmental agencies and staff offices separately addressed their respective IT security and infrastructure needs. These isolated approaches taken by individual agencies have resulted in a disparate array of technical and physical solutions that do not always ensure that comprehensive Departmentwide security is obtained.

Our independent evaluations disclosed the following material IT security weaknesses within the Department. Most of the agencies in our audits (1) had not ensured that their major applications' security plans contained all the elements required by OMB guidance; (2) had not planned for contingencies or disaster recovery, nor adequately tested those plans; (3) had not ensured that all their systems had been properly certified and authorized, attesting to the adequacy of security controls and whether those controls are operating effectively; and (4) had not assessed the existing and potential risks to their IT infrastructure or implemented a plan to eliminate or mitigate those risks. This report consolidated the results of several audits conducted in the past fiscal year, and recommendations to address the identified vulnerabilities were made in those reports.

USDA's Second Largest Computer Center Needs To Improve Access Controls

The National Information Technology Center (NITC) needed to take the necessary actions to ensure that only authorized users access its systems, periodically identify and mitigate existing vulnerabilities in its systems, ensure the use of proper controls to its systems from the Internet, and ensure compliance with existing Federal security guidelines. NITC did not ensure that user accounts belonging to its customers were timely removed when those users no longer needed access, and it was not tracking access to all sensitive and critical datasets on its mainframes. NITC also had not been conducting periodic vulnerability scans of its systems to ensure that known operating system vulnerabilities were identified and promptly corrected, or that data sent over the Internet was protected from unauthorized disclosure through the use of encryption. Finally, NITC had not complied with all the requirements of OMB Circular A-130 by ensuring that its security plan included all the needed elements, such as specification of authority to access systems.

We recommended that NITC improve its controls over access, including ensuring that separated employees are timely removed from its systems, and review its security software logging rules to ensure that all access to sensitive and critical operating systems datasets was logged. We also recommended that NITC periodically scan its systems to detect and mitigate known operating

system vulnerabilities, and improve the security over data to ensure it is transmitted in a controlled, secured manner. Finally, we recommended that NITC ensure compliance with OMB Circular A-130 by ensuring that its security plan meets all requirements.

Privacy Considerations Within USDA Agency Internet Sites

We evaluated the Department's Internet activities, as required by the Consolidated Appropriations Act of 2001, to ensure that individual privacy is sufficiently protected when visiting USDA agency Web sites. We found only two instances where agencies had unknowingly allowed their Web sites to use "cookies" (automated means of collecting information used to track users without proper disclosure). However, the Department lacked controls to ensure that existing privacy policies were being enforced. Further, the Department had not maintained an accurate list of its Web sites, which we believe is necessary to further strengthen the Department's Internet privacy posture.

We recommended that the Department require agencies to provide an inventory of their Web sites and report changes to those inventories as they occur, establish a standardized set of software tools for the creation and maintenance of USDA Internet Web sites, assess agency compliance with governmental and departmental privacy policies relating to Web sites, require agencies periodically to review and test their Web sites for compliance with established Internet privacy policies, and submit annual certifications to OCIO that these requirements are being met. The Department agreed with our recommendations and promptly issued guidance.

Weaknesses Identified in NASS' Ability To Protect Critical IT Resources

We identified weaknesses in the National Agricultural Statistics Service's (NASS) ability to adequately protect sensitive information from inappropriate disclosure, and critical operations from disruption. Significant information security weaknesses included noncompliance with existing Federal security regulations and inadequately restricted access to sensitive data. Our scans of selected NASS networks identified over 70 significant vulnerabilities that could

make the agency's systems subject to successful attack. NASS officials stated that they took prompt corrective action to mitigate a majority of the weaknesses identified.

We recommended that NASS ensure corrective actions are taken on the vulnerabilities identified, periodically scan their network for vulnerabilities and track corrective actions to ensure remediation, adopt a corporate-level approach to system administration, and take the necessary actions to ensure compliance with existing Federal IT security guidelines.

NASS officials stated that they have implemented configuration management and a "best practices" approach to securing their systems, and initiated a plan to ensure compliance with existing Federal security guidelines.

FNS Agrees To Improve Security Over IT Resources

FNS computer systems process, analyze, and support more than \$32 billion in financial and program data annually. Our audit of FNS' security over IT resources disclosed serious security vulnerabilities and inadequate controls over access to FNS' computer network and systems. We identified the following material weaknesses.

- Our scans of FNS networks disclosed 270 significant vulnerabilities that could make the agency's systems subject to successful attack.
- Agency officials did not effectively ensure that FNS' operating systems were free from known security vulnerabilities. Adequate physical controls were not implemented at the facilities reviewed. For example, door lock controls were not always used.
- User ID and password security and FNS' process for reviewing continuing system access to financial and payment systems were not always effectively managed to ensure individual accountability.
- Weaknesses in access controls existed in two of FNS' systems. Password features were not always implemented, and the user ID password for one system was not encrypted.

- FNS had not always updated or tested its contingency plans in a timely manner nor always corrected deficiencies identified in its vulnerability assessments.
- FNS had not always adhered to OMB requirements that risk assessments and system certifications be completed at least every 3 years. Five of nine mission-critical systems, which contain critical and sensitive information, have not been assessed within the past 3 years. Further, certifications have never been obtained for three systems, and recertifications for three other systems were past due.
- FNS had not validated that all data for one system were encrypted before transmission to NITC, putting sensitive Privacy Act data at risk.
- Incompatible duties existed within the Information Technology Division. The local area network (LAN) administrator, who was a “super user” (having unlimited access authority) of LAN, was also the deputy security officer responsible for maintaining the security over LAN.

We recommended that FNS take immediate action to eliminate the high- and medium-risk vulnerabilities found on its systems and implement a number of specific procedures to correct its security vulnerabilities and inadequate controls. FNS agreed with the recommendations and will implement applicable procedures and controls.

INVESTIGATIONS INVOLVING ABUSE OF IT RESOURCES

Employee Sentenced for Sexual Coercion of Children, Possession of Child Pornography

In Iowa, a Natural Resources Conservation Service (NRCS) employee was sentenced to 57 months’ imprisonment, followed by 3 years’ supervised release, after pleading guilty to sexually coercing children over the Internet and possessing child pornography. The employee used his NRCS Government computer to facilitate the crime and to visit unauthorized Internet sites during working hours. The employee was fired. The OIG investigation identified a minor in Louisiana

that the employee met on an Internet chat room and with whom he engaged in sexual activity after traveling to Louisiana. The employee also contacted minors in other States through the Internet in attempts to entice and coerce them into having sexual encounters with him.

Trafficking Case Yields Substantial Prison Sentence and Restitution

The owner of a grocery store in New York City was sentenced to 2 years in prison and ordered to pay \$580,660 in restitution to USDA following his guilty plea to charges of EBT fraud and trafficking. The investigation disclosed that the grocery store redeemed over \$1 million in EBT benefits in 1 year. Sentencing is pending for an employee of the store.

Substantial Restitution Ordered for New Jersey Store Owner

The owner of a New Jersey grocery store was sentenced to 13 months in prison and ordered to pay \$494,280 in restitution to USDA after she pled guilty to charges of EBT fraud and trafficking. The investigation, worked jointly with the U.S. Secret Service, disclosed that the grocery store redeemed over \$1 million in EBT benefits during 1 year. Sentencing for three other employees is pending.

Operation Swipe in Connecticut Results in Large Civil Settlement

Fourteen convenience stores located in Connecticut were ordered to pay a total of \$335,330 in civil settlements for their role in EBT trafficking. The civil judgment was issued after the various owners were convicted and sentenced under Federal criminal charges. This case was conducted jointly with the Connecticut Chief State Attorney’s Office as part of Operation Swipe in Connecticut.

Three Brothers Arrested in WIC and EBT Fraud

Three brothers were arrested and are being held without bond after OIG agents executed search warrants at their store and residence. The store was the highest Special Supplemental Nutrition Program for

Women, Infants, and Children (WIC) redeemer in North Carolina, with more than \$542,000 in deposits in 3 years. The store also deposited in excess of \$176,550 in EBT benefits. Multiple undercover transactions involving WIC vouchers and EBT cards led

to a 329-count indictment. Bank accounts, cash, and an automobile were seized. The investigation was conducted jointly with the Internal Revenue Service's (IRS) Criminal Investigation (CI) unit, North Carolina OIG, and Greenville Police Department.



This store used for WIC trafficking was the highest WIC redeemer in North Carolina. OIG photo.

Financial Management and Accountability

Financial crimes and management irregularities remain significant challenges for the Department. For the past 7 years, we have disclaimed an opinion on the Department's consolidated financial statements. This means the Department does not know whether it properly accounted for the money it collected, the cost of operations, and assets of well over \$100 billion. Consequently, some USDA managers are forced to make decisions on program operations "in the dark" without solid financial data. The Department's problematic issues with the financial management system will continue until at least 2003, at which point all USDA agencies should be converted to the Foundation Financial Information System (FFIS). Effective implementation of FFIS is needed to improve the Department's financial management to ensure that managers have reliable data to manage their programs. This period, the Forest Service (FS) and the Commodity Credit Corporation (CCC) were unable to complete their financial statements in time for us to audit them by the legislatively mandated timeframe of March 1. Our subsequent audit work of these entities resulted in a disclaimer of opinion. Investigative work continues to confirm the vulnerability of USDA programs to general contract fraud and embezzlement.

AUDITS TO STRENGTHEN FINANCIAL MANAGEMENT AND ACCOUNTABILITY

Financial Statement Audits

FY 2000 FS Financial Statements—Disclaimer of Opinion

Due to limitations on the scope of our examination, we were unable to express an opinion on the FS financial statements. FS was unable to provide us with its statements and supporting documentation until more than 4 months after the fiscal yearend. Despite this delay, our examination disclosed several material misstatements in significant line items, such as cash. Further, FS' longstanding lack of accountability over its real property assets continued unabated. Audit testing disclosed error rates that were so high we were unable to make valid projections of misstatements or unsupported capitalized values. As a result, we were unable to obtain reasonable assurance that the real property balance of \$4.5 billion was fairly stated.

Our review of internal controls revealed that (1) inadequate controls over recording obligations and expenses for firefighting resulted in a \$274 million violation of the Antideficiency Act; (2) although implementation of FFIS improved FS accounting, further improvements are needed to ensure that financial accounting data is complete, accurate, and reliable; and (3) additional improvements are needed to adequately safeguard assets.

We made a series of recommendations to strengthen internal controls and improve compliance with laws and regulations.

FY 2000 CCC Financial Statements—Disclaimer of Opinion

For the third consecutive year, we have been unable to issue a "clean" opinion on CCC's financial statements. Although CCC and OIG continued to work with the Department's task force to correct these reported problems, an extensive amount of work remains. For FY 2000, CCC received a disclaimer of opinion because it was not able to provide sufficient and competent evidential matter to substantiate material financial statement line items related to direct and guaranteed credits to foreign countries and related activities within the timeframes established by the Department. Even though CCC provided us its financial statements nearly 2 months late and after processing numerous adjustments, our audit coverage still disclosed significant errors for CCC foreign loan accounting operations.

Despite 6 years of urging by OIG, CCC still needs to substantially overhaul or strengthen its internal control and quality assurance aspects over its foreign loan accounting operations to correct the errors, omissions, and inconsistencies contained in its financial statements. CCC staff lack the necessary knowledge, skills, and abilities to effectively and accurately perform accounting functions for the Corporation's foreign loan operations.

Unless actions are taken, achieving the reforms required by recent financial management legislation will not be accomplished. Moreover, users of information risk making errant budgetary and operational decisions when they rely on questionable information reported or taken from the underlying accounting systems. With

assets of over \$14 billion and costs of \$30 billion, it is essential CCC make reforms.

We recommended that CCC obtain an outside contractor to assist it in evaluating its financial accounting and reporting functions; improving the timeliness and accuracy of its financial information; and strengthening supervisory/management oversight over financial account reconciliation, accounting entries, and adjustments. We also recommended CCC obtain additional outside resources to conduct its foreign loan accounting operations in the interim.

FY 2000 Review of Internal Controls at NFC

Our review of the internal control structure at the Office of the Chief Financial Officer's (OCFO) National Finance Center (NFC) for FY 2000 resulted in a qualified opinion. We noted that actions taken by OCFO were sufficient to reduce the risk associated with several previously reported weaknesses; however, we found that some previously identified material weaknesses persisted. Many of these weaknesses related to problems with the legacy Central Accounting System (CAS) and its feeder systems. The weaknesses with the CAS general ledger are being mitigated by the implementation of the FFIS for USDA agencies. In FY 2002, all but two smaller agencies will use FFIS, and plans address the problems with the feeder systems. However, until these problems are corrected, material weaknesses with the OCFO/NFC internal control structure will continue. Other material weaknesses noted during our audit are described below.

- OCFO has not performed adequate evaluations or risk assessments to address the changing financial management environment at OCFO/NFC with the implementation of FFIS.
- The integrity of the data in FFIS could be at risk due to the need to strengthen reconciliations of data from the feeder systems to FFIS.
- OCFO has not yet been able to properly reconcile the Fund Balance with Treasury general ledger accounts to those amounts reported by Treasury.
- OCFO had not adequately limited access granted to NFC's users or appropriately segregated incompatible duties in FFIS.

- OCFO continues to experience significant problems with the reconciliation of suspense activity, both in timeliness and in properly clearing amounts from the suspense accounts.

We made a number of recommendations to address these weaknesses, including that OCFO should establish a "corporate level" approach to performing risk assessments of its operations following the Treadway Commission's "Model Framework" process.

Guaranteed Rural Rental Housing Loan Program Has Not Met Its Objective

The objective of the Guaranteed Rural Rental Housing Program (GRRHP) is to increase the supply of decent, safe, and sanitary housing available to low- and moderate-income residents in rural areas. Guarantee authority steadily increased from \$13 million in FY 1996 to \$100 million in FY 2000. For the first 4 years, aggregate guarantee authority was \$153 million, which was to be used to finance 106 projects with 4,866 rental units.

GRRHP has not achieved the success that RHS reported to Congress and OMB in annual budget justifications and Government Performance and Results Act of 1993 (GPRA) reports. Each year the Rural Housing Service (RHS) requested substantial increases in GRRHP guarantee authority based on the number of rental units for which guarantee authority was obligated, rather than the actual number of rental units built and financed. In April 1998, RHS reported to OMB that GRRHP had produced 1,183 rental units. In subsequent appropriation requests to Congress for FY 1999 to FY 2001, RHS stated that GRRHP has great potential and had been tremendously successful in its first 3 years of operation. Further, from FY 1998 to FY 2000, RHS reported in its GPRA reports that Rural Development had actually built 6,545 rental units. However, we found that as of August 8, 2000, GRRHP had built and financed only 222 (4.6 percent) of the 4,866 rental units reported for FYs 1996 through 1999. GRRHP has not met its objective.

We recommend that RHS (1) develop procedures to accurately report in budget requests and GPRA reports the actual status of loan activity including the number of loans guaranteed and units constructed and (2) work with the stakeholders to determine if there is a need for

GRRHP under its current structure. RHS should also perform a comprehensive evaluation of the program to determine if it is feasible to improve its marketability, and develop accurate data of the units actually built and financed, to justify future budget requests. RHS either agreed with or proposed acceptable alternatives to the report's recommendations.

RHS Needs To Improve GPRA Reporting

In response to a congressional request, we initiated an ongoing examination of agencies' activities pursuant to GPRA. This period, we began a review of the implementation of GPRA within FSA, and, as part of an audit of the Guaranteed Rural Rental Housing Program, we compiled actual performance data and compared this with RHS' GPRA reporting. As discussed above, significant variances were identified.

During this reporting period, we began an ongoing review of FSA to (1) evaluate the system of controls over GPRA performance reporting and to assess the validity and verifiability of reported performance measurement data and (2) evaluate the linkage of long-term (strategic) goals to annual performance goals and indicators.

FSIS Antideficiency Act Violations and Staffing Deficiencies

At the request of Congress, OIG reviewed the adequacy of FSIS financial and project management, specifically to determine the impact of recent inspector shortages and why Antideficiency Act violations occurred over the last 2 years. We found that meat and poultry inspector shortages occurred because FSIS does not have a method of estimating staffing needs based upon meaningful criteria; consequently, we were unable to determine the actual shortfalls. The Antideficiency Act violations occurred because of weaknesses in the agency's accounting system, as well as the lack of compensating controls at operating levels to preclude or detect, in a timely manner, these violations.

We recommended that FSIS develop procedures based on applicable criteria to estimate inspector staffing needs nationally and seek sufficient funding to fill those positions. We also recommended that FSIS (1) in consultation with OCFO correct the problems that have affected the proper allocation of costs, (2) develop and implement a process to timely reconcile the

discrepancies with Treasury, and (3) immediately research and correct the unsupported amounts cited.

PCMS Internal Controls Need Further Enhancement

Our review of a statistical sample of credit card and convenience check transactions in the Department's Purchase Card Management System (PCMS) disclosed no material problems with the transactions tested. However, while Departmental Administration had established sufficient internal controls for transactions, we found implementation of these controls by the agencies needed strengthening. Of particular concern was the lack of implementation of oversight tools to identify suspicious transactions in PCMS by the agencies. We noted evidence whereby employees exceeded their procurement authority by splitting purchase transactions made to the same vendor into multiple transactions.

We also found that two agencies had used the Purchase Card Program to improperly fund and establish imprest funds without the Department's approval. Further, departmental policy and regulations allow the use of purchase card and convenience checks for disaster, indemnity, and other program payments; however, we believe this practice exposed the Department to inherent internal control risk and financial risk. We estimate that two agencies made over \$64.4 million in indemnity and disaster payments between October 1, 1998, and February 29, 2000. We further found that a large number of employee spot awards and emergency salary advances paid with convenience checks through the card program were not properly accounted for through the Department's personnel/payroll system.

Among our recommendations was that the Purchase Card Program be discontinued as an allowable method to disburse program benefits to participants unless a comprehensive risk assessment is performed. OCFO generally agreed with our recommendations.

FS Needs To Improve Program, Financial, Legal Integrity in Enterprise Program

The FS enterprise concept is intended to improve management efficiencies through the use of independent, self-sufficient internal business units. The FS Pacific Southwest Region developed the Enterprise Program and established it as a new activity within the

FS Working Capital Fund. The FS Washington office planned to expand the program nationwide if the concept was successful. As of September 30, 2000, 19 approved enterprise units were generating gross revenues of over \$12 million.

A number of weaknesses in critical areas need to be addressed before expanding the program. FS does not have a system or the information to determine if the program is fulfilling its objective of improving the effectiveness, efficiency, and accountability of FS programs. Moreover, FS does not have a reliable accounting system that can provide accurate and timely financial statements to the Enterprise Development Bank and enterprise units, nor does it have guidelines for limiting losses and terminating enterprises that are not financially viable. The Enterprise Development Bank has not maintained sufficient cash reserves to absorb financial losses resulting from enterprise failures. According to the Development Bank, 7 of the 19 enterprises in the Pacific Southwest Region showed net losses as of September 30, 2000.

FS generally concurred with OIG's recommendations and has made a commitment not to fully expand the program nationally until it adequately addresses all of OIG's concerns and recommendations.

INVESTIGATIVE WORK TO STEM FINANCIAL CRIME

Corporate Officers Get Prison Terms for \$5.6 Million Contract Fraud

As previously reported, a Philadelphia corporation, its president, and vice president were indicted for contract fraud involving a \$4.5 million renovation project at an Agricultural Research Service (ARS) research station in Pennsylvania. The corporation also defrauded the U.S.

Navy on a \$1.1 million renovation project. The corporation failed to pay subcontractors, resulting in construction delays. The president of the corporation pled guilty to the charges in July 2000. During this reporting period, the vice president and corporation were found guilty by trial in the Eastern District of Pennsylvania. The president and vice president have now been sentenced to 12 and 33 months in prison, respectively. The officers and the corporation were ordered to pay nearly \$2 million in restitution. Other agencies that worked jointly on this investigation included the Naval Criminal Investigative Service, the Small Business Administration OIG, and the Department of Labor OIG.

Former Housing Manager Pleads Guilty to Embezzlement and Repays \$64,350

The former project manager of a Wisconsin USDA-funded housing project was sentenced to 12 months' imprisonment, 3 years' supervised release, and 300 hours of community service, and ordered to pay \$64,350 in restitution to the housing complex and USDA. The former manager pled guilty to one misdemeanor and two felony counts of theft/ embezzlement for having embezzled approximately \$64,350 from housing complex bank accounts from 1990 to 1997. The housing complex received financing from Rural Development for 20 housing units for the elderly.

Former East Texas School Superintendent Pleads Guilty to Stealing

A former school superintendent in Fruitvale, Texas, pled guilty in Federal court to stealing from a federally funded program. He embezzled more than \$187,000 from the school district he supervised, of which over \$38,000 came from the National School Lunch Program. The investigation was worked jointly with the Texas Education Agency and the Van Zandt County District Attorney's Office.

Abuse of USDA Programs and Operations

PUBLIC CORRUPTION

Former AMS Inspector Sentenced for Accepting Bribes

In St. Louis, Missouri, a former Agricultural Marketing Service (AMS) produce inspector with nearly 20 years of service pled guilty to accepting a bribe during the official conduct of his duties. The man was sentenced to 4 months of monitored home confinement, 3 years' probation, and a \$2,000 fine. For 15 years, the AMS Inspector, in his official capacity, accepted bribes from persons connected to the produce business in St. Louis in exchange for his intentional downgrading of produce. With the guilty plea, the man admitted accepting cash payments and other things of value from persons associated with several large produce brokerage firms. Two other produce company owners and two produce buyers subsequently pled guilty to felony charges related to mail fraud and bribery. Eight other individuals who were involved in a peripheral capacity have entered the Federal pretrial diversion program. All have received sentences of probation, home confinement, and/or fines. The investigation continues in concert with the Defense Criminal Investigative Service, the FBI, and the U.S. Postal Inspection Service. This case was one of a number of public corruption investigations over the past 6 months; they resulted in 11 convictions of current or former USDA employees and 33 personnel actions.

WORKPLACE VIOLENCE

NRCS Employee Sentenced for Possessing Bomb-Making Equipment

A search warrant executed at the residence of an NRCS employee by Alcohol, Tobacco, and Firearms (ATF) special agents revealed 58 pipe bombs, bomb-making material, a firearm silencer, and a landmine. At the request of the U.S. attorney's office, OIG was called in to assist ATF with the investigation. The resulting joint investigation included extracting data from the employee's Government computer and searching for additional explosive devices at the workplace with specialized bomb-sniffing dogs. The employee pled guilty to possessing destructive devices (pipe bombs) and was sentenced to 6 months' home detention, 3 years' probation, a \$1,500 fine, and a \$100 special assessment fee.

Workplace Violence Coordinator Guilty of Possessing Dangerous Weapon

In June 2001, an ARS employee went to the OIG office in Maryland to be interviewed regarding aggressive actions he had taken in the workplace. The employee, a workplace violence coordinator himself, was on administrative leave pending an OIG investigation of his actions. When he entered the USDA facility for the interview, the employee was found to possess a buck knife with a 4-inch blade and a pepper spray container. OIG agents arrested him 2 days later on a Federal warrant charging him with possessing a dangerous weapon in a Federal facility. A court hearing was held in July, and the employee was released on bail under the condition that he relinquish all weapons in his possession to OIG. A search of his home revealed 62 weapons, including assault rifles, riot shotguns, and semiautomatic handguns. The employee was convicted in Federal court and has been sentenced to 2 years' probation, directed to participate in a mental health program, ordered not to enter any USDA facility or possess firearms while under probation, fined \$500, and ordered to pay a \$25 special assessment fee.



Weapons relinquished by USDA employee, himself a workplace violence coordinator. OIG photo.

Men Arrested Following Assault on FS Agent

One man is awaiting sentencing following an OIG investigation into an assault on FS law enforcement personnel during a drug investigation. After a lengthy surveillance by FS agents and county law enforcement personnel of a methamphetamine lab operation in the Mark Twain National Forest in southern Missouri, three subjects attempted to elude capture once a law

enforcement presence was announced. As the main subject fled, he fired a 9mm pistol at law enforcement personnel and an FS special agent. The three were quickly apprehended and arrested. The main subject was charged with manufacturing methamphetamine, discharging a firearm during a drug trafficking crime, and assault on a Federal officer. He subsequently pled guilty to two counts and is scheduled for sentencing in December 2001.

FARM PROGRAMS

Three Thieves Sentenced to Long Jail Terms for Victimizing Farmers; \$600,000 in Stolen Property Recovered

In August 2001, 12 members of an organized group were arrested in the Dayton, Ohio, area for their participation in a conspiracy to steal farm equipment and other items from farmers in Ohio, Kentucky, and Indiana. Three of the gang members have recently been sentenced to jail terms of 9 years, 6 years, and 2 years. Beginning in July 2000, OIG and other members of the Ohio Organized Crime Investigations Commission Task Force 00-3, Dayton, infiltrated the criminal organization. The investigation found that the criminal organization was responsible for over \$5 million in farm-related thefts. The task force has recovered over \$600,000 worth of the stolen property.

During undercover conversations, one subject of the criminal organization boasted that he targeted farms and rural communities because he knew that there are fewer law enforcement officers in rural communities and that farmers rarely secure their property. The subject further boasted, "A man's home is his castle, but his barns are mine." OIG positively identified 30 farms participating in FSA programs that this criminal organization victimized in 12 counties in Ohio, 5 counties in Indiana, and 1 county in Kentucky. Property stolen included tractors, automobiles, generators, tools, weapons, and all-terrain vehicles. Much of the stolen property was collateral for farm-owned property or operating loans and/or business and industry loans. It is anticipated that additional FSA farm victims will be identified, with a number of additional subjects to be indicted and arrested in the near future.

The task force consists of agents and officers from OIG; the Montgomery County, Ohio, Sheriff's Office; the

Centerville, Ohio, Police Department; the Miamisburg, Ohio, Police Department; the Moraine, Ohio, Police Department; the Dayton, Ohio, Police Department; the National Insurance Crime Bureau; and the FBI. Numerous other law enforcement agencies supported the task force.



Some of the \$600,000 worth of stolen property recovered around Dayton, Ohio. OIG photo.



Another piece of equipment to be returned to the farmer from whom it was stolen by an organized theft ring. OIG photo.

Louisiana Businessman Sentenced in 'Check-Kiting' Scheme

A Louisiana man who owns several farms, a cotton gin, and a cotton shipping company was sentenced in Federal court to 41 months in prison and ordered to pay restitution of more than \$3 million. As previously reported, the businessman "kited" hundreds of checks relating to his cotton shipping business between his

checking accounts at two Louisiana banks from November 1998 through August 1999. During 3 days in August 1999, the businessman deposited checks totaling more than \$5.5 million for which there were insufficient funds. After the check-kiting scheme was discovered, he repacked nearly 1,000 bales of 1998 cotton and falsely identified it as cotton he grew in 1999. He received over \$216,000 from CCC in commodity loans and payments on the repacked cotton. This investigation was worked jointly with the FBI.

Five Plead Guilty in \$2 Million False Weight Certificate Scheme

Six subjects were charged in Federal court in a conspiracy to issue false weight certificates in excess of \$2 million for grain that was never delivered, but instead used to defraud a grain company. The indictment charged them with conspiracy, issuance of false grain inspection and weight certificates, and filing false income tax returns. Five of the six subjects have pled guilty. One of the subjects was a former NRCS employee in Arkansas. This investigation was conducted jointly with the Arkansas State Police; Phillips County, Arkansas, Sheriff's Office; and IRS CI.

Attempt To Hide Assets Backfires Against Wyoming Couple

A Federal court issued a default judgment of more than \$380,900 against a Wyoming couple for making false statements to FSA concerning their financial status in order to influence a debt settlement offer. The couple conducted their farming business under a corporation name to conceal their true assets and income from FSA.

Individual Convicted of Unauthorized Disposition of Mortgaged Property

A farmer in Greenville, Kentucky, converted to his own use nearly \$248,700 worth of corn and soybeans, which was pledged as collateral to CCC pursuant to a farm storage agreement. The farmer pled guilty to one count of unauthorized disposition of mortgaged property and was sentenced to 5 years' probation and ordered to pay \$30,230 in restitution. The remaining funds due USDA will be collected through a wage garnishment mechanism already in place.

Disaster Assistance Programs

- **Unsupported Claim in Texas**—For 1998 crop insurance losses, producers were generally eligible to receive both crop insurance indemnities through the Risk Management Agency (RMA) and disaster assistance program payments through FSA. FSA was to refer suspected cases of program abuse to RMA for review and for correction of any corresponding crop insurance information. We tested the effectiveness of this dual program delivery in Texas and concluded that the two agencies effectively resolved differences in production. In one instance they did not. Two producers were overpaid about \$56,000 in indemnities because their claim was based on unsupported information and improper loss adjustment procedures. RMA agreed to recover the overpayment from the insurance company.
- **Uncorrected Data**—FSA and RMA program managers did not promptly share corrections made to records common to the crop insurance and disaster programs. FSA approved over \$19 million in Crop Disaster Program (CDP) applications for watermelon and nonirrigated corn based on indemnities known by RMA to be excessive. Another \$1 million in 1999 and 1998 disaster payments were made based on indemnities RMA corrected after the disaster program payments were issued. We recommended FSA and RMA implement interagency procedures to (1) identify RMA program design flaws that result in excessive indemnities and (2) exchange data when reviews identify payment errors.
- **Planned Audits of Farm Assistance Programs**—As a result of our preliminary review of the farm assistance programs authorized under the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 2001, we will review in depth (1) the Quality Loss Program for all crops, as well as apples and potatoes, (2) CDP in Florida, and (3) county committee changes to RMA data.

Payment Limitation Determinations for Majority Stockholders Were Not Correct

FSA procedures require a stockholder owning more than 50 percent of a corporation (majority stockholder) to be combined with the corporation as one "person" for

payment limitation purposes. Nationwide, we identified 68,425 corporations with majority stockholders for 1998 and 1999 (some duplication, because they are counted separately each year). We found 24,946 (about 36 percent) were not combined in FSA's automated system, because either the FSA county committees did not properly combine the corporations with their majority stockholders or county office employees did not correctly enter "person" determination data into the automated system.

CROP INSURANCE

Producer Inappropriately Allowed To Participate in the Crop Insurance Program

RMA issues written agreements to producers for obtaining crop insurance on insurable crops when coverage or rates are unavailable in the county where the crop is to be grown. For the 1999 crop year, RMA approved 198 written agreements in Texas covering counties without an actuarial table for the applicable crop with 58 producers accepting agreements. We reviewed the five largest claims, of eight paid, which totaled about \$2.1 million, and determined that a father and son significantly overstated self-certified production data as a means to illustrate they had an actuarially sound production history. Based on the misrepresented production, RMA improperly issued written agreements to farm potatoes for the 1999 crop year, which in turn resulted in the father and son collecting improper crop loss indemnities totaling almost \$1.5 million. We recommended that RMA take administrative action to recover the crop insurance indemnities and pursue any other appropriate civil remedies.

Texas Watermelon Claims Were Not Properly Adjusted

In August 1998, FCIC approved a watermelon pilot crop insurance program for the 1999 through 2001 crop years for 15 counties in 7 States. However, in September 1999, RMA suspended the pilot program for the 2000 crop year to make it more market neutral. We judgmentally reviewed 13 of the 80 policies in Texas that received indemnities, involving 11 producers who filed 18 claims totaling about \$20 million. We questioned payments totaling \$1.5 million on five claims filed by three producers because crop insurance eligibility requirements had not been met. We

recommended that RMA collect the \$1.5 million in overpayments.

North Texas Crop Adjuster, 3 Producers Plead Guilty to Crop Insurance Fraud

A former crop insurance adjuster pled guilty to submitting false claims to RMA for 1999 multiple peril crop insurance loss claims paid to six producers totaling nearly \$719,000. None planted the crops, but claimed losses on their insurance. Three producers have pled guilty to this fraud, and criminal action is pending against the other three. This investigation was conducted with the assistance of the RMA Compliance Office.

Elevator and Manager Plead Guilty to Misgrading Wheat

A North Dakota elevator manager pled guilty in U.S. District Court to conspiring to defraud RMA by misgrading 169,692 bushels of durum wheat so that producers could qualify for over \$500,000 in payments to which they were not entitled under their Crop Revenue Coverage. The manager was sentenced to serve 2 years' probation. The elevator company has entered into a pretrial diversion agreement whereby it will be audited every 6 months for 18 months and will pay over \$14,000 to USDA as reimbursement for the cost of the OIG investigation. More charges are pending against the numerous producers involved in the scheme.

Two Plead Guilty Following Third Day of Trial

During a criminal trial in Federal court, a Minnesota farmer pled guilty to making false statements and false claims regarding crop insurance. He and his mother also pled guilty to mail fraud in a related scam to deprive lenders of their security interest in crops. The Government proved that the farmer directed the president of a processing company, which processes one-third of the Nation's kidney beans, to create false documents and provide them to an insurance adjuster in support of phony crop insurance claims. The farmer and his mother agreed to pay restitution to RMA of more than \$100,300. The farmer and his mother also sold over \$200,000 in grain under another family member's name during a 4-year period in order to defraud a private lender of its security interest in crops.

Insurance Agent Indicted for False Insurance Claims, Brother Guilty of Theft

Two Kentucky brothers, one a tobacco farmer and crop insurance agent and the other a tobacco farmer, were investigated for submitting false statements to RMA in order to receive indemnity payments for which they were not entitled. The insurance agent/farmer was indicted and is awaiting trial on two counts of false statements resulting in \$58,670 of unentitled indemnity payments. The other farmer pled guilty to one count of theft of Government property, involving unlawful receipt of crop proceeds from RMA, because of incorrectly reporting production for his farm. He was sentenced to 2 years' probation, restitution of \$15,880, and a voluntary 1-year exclusion from the Federal crop insurance program.

Insurance Agent Pays Civil Fine

The owner of one of the country's largest crop insurance agencies paid \$260,000 as part of a civil settlement following charges that he filed, and assisted others to file, false claims for crop insurance indemnity payments. In 1996 and 1997, the insurance agent filed, and caused others to file, false prevented planting and replant claims.

NUTRITION PROGRAMS

Enhanced Funding Proper

We reviewed the quality control (QC) process for the Food Stamp Program (FSP) in the Food and Nutrition Service's (FNS) Southwest Region to determine whether the region properly granted enhanced funding to Texas and Arkansas in FY 1999. The QC error we identified in Arkansas resulted only in an immaterial increase (.02 percent) in the payment error rate. Therefore, we concluded the two States were entitled to the \$32 million in enhanced funding received. We recommended Arkansas be informed of the minor increase in the payment error rate, which was done.

Inaccurate FSP Administrative Costs Claimed by State of Washington

The Department of Social Health Services (DSHS) administers FSP in the State of Washington. For FYs 1998 and 1999, we questioned \$4.4 million of the

administrative costs claimed by DSHS for fraud investigations, the State attorney general, and indirect costs. USDA reimbursed the State for about 50 percent of these costs, or \$2.2 million. FNS agreed to recover from DSHS a total of about \$2.2 million.

Operation Talon Arrests Continue To Climb

Operation Talon was designed and implemented by OIG to locate and apprehend fugitives, including violent offenders, who are current or former food stamp recipients. As of September 30, 2001, Operation Talon had resulted in 7,894 arrests of fugitive felons during joint OIG, Federal, State, and local law enforcement operations throughout the country. On the Federal level, we are working with the U.S. Marshals Service to apprehend Federal fugitives. Serious crimes perpetrated by those arrested include homicide-related offenses (murder, attempted murder, manslaughter), sex offenses (child molestation, rape, attempted rape), kidnapping/abduction, assault, robbery, and drug/narcotics violations.

Bank Pays \$100,000 Settlement for Mishandling Food Stamp Redemptions

A major bank in California paid \$100,000 in settlement of a civil suit filed as a result of the improper handling of deposited food stamps and redemption certificates. Our investigation determined that bank personnel altered 10 redemption certificates used by 5 Los Angeles metropolitan area authorized retailers to deposit food stamps. Besides the monetary settlement, the bank issued a detailed internal bank procedure outlining the appropriate manner in which food stamps and their attendant documentation are to be handled by bank officials and employees.

Management Companies Profit at Expense of Schools' Food Service Programs

FNS permits school food authorities (SFA) to contract with food service management companies to operate their nonprofit food service operations under the National School Lunch Program (NSLP) and the School Breakfast Program (SBP). Our nationwide audit of management company operations found problems in Michigan, Illinois, and Missouri. In Michigan, the management company improperly received and retained benefits through purchase discounts valued at almost \$237,000 during school years 1998 through

2000. This company is now under OIG investigation. In Illinois, the management company failed to credit schools with the value of donated commodities it received and used for the schools' NSLP and SBP operations. For school years 1993 through 1998, this company retained over \$2.9 million that should have been passed along to the schools. This management company is also under OIG investigation. In Missouri, one SFA did not maintain a nonprofit school food program, did not properly identify school food program monies, and permitted the company to control the cash collections from meals and reimbursements, which is prohibited by Federal regulations. The school could not be assured the food service programs benefited from the \$756,000 it received in annual checks from the company, in excess of their payments to the company, for school years 1998 through 2000.

Food Wholesaler Settles *Qui Tam* Lawsuit

A large food service provider agreed to pay \$325,000 in order to settle a *qui tam* (the private party filing on behalf of the Government shares in the recovery) lawsuit brought in regard to NSLP claims, filed in Federal court in New Mexico. The Government subsequently joined the private suit, and the U.S. attorney's office asked that we conduct a full investigation of this matter. Allegedly, the firm had defrauded NSLP by submitting inflated claims to school districts for operating costs of employee-related expenses and insurance costs.

NATURAL RESOURCES AND ENVIRONMENT

FS and NRCS Controls for Grants and Agreements Need Improvement

FS and NRCS unnecessarily advanced almost \$3 million to the National Fish and Wildlife Foundation (NFWF), a private nonprofit organization established by Congress, and incurred an interest cost of almost \$66,000. FS and NRCS did not use specified administrative controls, such as requiring NFWF to submit forms that report award advances. Contrary to regulations, NRCS advanced almost \$3 million in 2000 before needed by the recipient. The agencies also did not ensure that \$279,000 in interest earned by NFWF on fund advances from one NRCS and three FS agreements would be used for program purposes.

CCSP Needs Improvement

We found that FS had not clearly defined the Challenge Cost Share Program (CCSP) or instituted adequate management controls over it. CCSP makes awards to outside parties for the completion of planned projects. FS was unable to provide information on 5,210 (92 percent) of the CCSP agreements funded in FY 1999. Further, FS was unable to adequately account for the activities of CCSP and was unable to determine how much of the \$35.8 million budgeted for FY 1999 was expended. We recommended that FS develop regulations containing guidelines and controls for CCSP, implement procedures to capture expenditures, apply existing regulations on cooperative agreements to CCSP agreements, and track CCSP agreements in its existing systems.

FS Paid \$1.1 Million in Excess of Appraised Value for a Conservation Easement

The Forest Legacy Program, through the use of conservation easements and other mechanisms, is intended to protect environmentally important forest areas that are threatened by conversion to nonforest uses. The State of Vermont used Federal funds to pay \$1.1 million in excess of appraised value for a conservation easement. We recommended FS recover from Vermont the \$1.1 million in excess of the appraisal conducted in accordance with Federal appraisal standards.

FS Improperly Uses Cooperative Agreements To Sell Timber

FS' Northeastern Forest Experiment Station improperly used cooperative agreements to sell timber, resulting in an unauthorized retention of \$2 million and failure to pay West Virginia \$342,000. FS incorrectly determined that the McSeeney-McNair Act of May 22, 1922, allowed the agency to use cooperative agreements and retain the proceeds collected from the sale of harvested timber. However, the Forest and Rangeland Renewable Resources Act of June 30, 1978, repealed this Act. FS may have violated laws prohibiting the augmentation of appropriations by retaining approximately \$2 million of timber proceeds during the period FY 1988 to FY 1999.

We recommended the FS experiment station award and administer timber sales for the station through the Monongahela National Forest, and return to the

Treasury \$2 million for timber sale proceeds that had been retained by the station for salaries and expenses.

FS Continues To Improve Controls Over Land Exchanges

As reported previously, OIG has taken a proactive role in monitoring FS' efforts to improve controls over its land exchange activities in response to congressional and Secretarial concerns. FS has also taken an active role in implementing nationwide controls to correct deficiencies in its land exchange activities. However, some problems persist. During this period, OIG completed a review of 10 land transactions at the Siuslaw National Forest (Oregon) in Region 6. The review concluded that the land staffs for the forest and region did not effectively analyze the feasibility of a proposed \$1.6 million land exchange. Land staff personnel were not familiar with the objectives of the Forest Plan. In other areas, FS has made significant progress. OIG observed the effectiveness of the FS National Landownership Adjustment Team reviews in Regions 1 and 3, and participated in regional lands training workshops held by the FS Washington Office to discuss the newly established controls.

Mishandled Exchange Previously Reported by OIG Is Resolved

As reported previously, during one land exchange at Lake Tahoe, FS failed to obtain clear title to a \$38 million property at Zephyr Cove, on the Nevada side of the lake. As a result, a third party fenced off the property, restricted public access to it, and planned to develop an upscale bed and breakfast lodging for its private clients with continuing restriction for the general public during most of the summer months. OIG recommended that FS take action to assume full ownership control of the property from the third party to ensure the public had unfettered access to it and could enjoy its unique recreational setting.



Sandy cove on the Zephyr Cove property. Previously, a third party had discouraged public access to this site. Recent FS actions have returned this property to the public domain. OIG photo.

On June 15, 2001, FS announced that it had bought out the third party and regained full control of the property. FS plans to tear down the fences and unlock the gates to ensure full and complete public access. FS also plans to involve the public in discussions of the future use of the property's structures.

RURAL DEVELOPMENT

RRH Insurance Expenses Were Excessive

Four of five management companies we reviewed in Mississippi had charged the Rural Rental Housing (RRH) projects they managed excessive and questionable costs totaling over \$595,000 for insurance. In some of these cases, the management agents had close relationships with the insurance vendors and provided them excessive policy fees that were inconsistent with the management agents' fiduciary responsibility to limit the expenses of the projects to what was actual, reasonable, and necessary. In other cases, management agents exercised poor internal controls over project funds. The Mississippi Rural Development State office policy that the management fee include administrative costs, such as workers' compensation, was inconsistently applied by servicing officials and circumvented by three management companies.

Because of the significant dollar value and the erroneous reporting, we referred one management company for investigation. RHS agreed to the findings and recommendations. RHS should ensure that unallowable expenses are recovered and internal controls are strengthened to address the reported deficiencies.

Virginia Offices Did Not Perform Required Management Control Procedures

The Virginia Rural Development State office and its area offices did not complete required management control reviews over RRH borrower operations. Our audit found that such management reviews were needed, as management companies were not properly handling tenant income certifications. Further, the State office did not conduct required State internal reviews for four of its five area offices. State officials stated that budgetary constraints prevented the required level of reviews being performed. State officials were not aware that two area offices did not perform the required supervisory visits at each RRH project. Rural Development has agreed to take actions to correct the deficiencies noted.

Montana Bank Returns Over \$3.3 Million in Loan Guarantees

Following an OIG investigation, a Montana bank returned three loan note guarantees to the Rural Business-Cooperative Service (RBS) that resulted in a direct savings to the Government of nearly \$2.7 million. Our investigation showed that RBS issued the loan note guarantees to the bank for Business and Industry loans that were made to a local business. However, at the loan closing, the bank failed to inform RBS that the local business had lost over half of its customer base and had a large product recall before issuance of the guarantees. Less than 2 weeks after the guarantees were issued, the bank sent the loans to its special collections division, and the company was no longer in business. According to RBS employees, the loans would not have been guaranteed if they had been aware of the true financial situation of the business.

Misuse and Mismanagement of Grant Funds by WECC

The Williamsburg Enterprise Community Commission, Inc. (WECC), is the lead entity for the Williamsburg Enterprise Community, consisting of six census tracts in Williamsburg County and one in Florence County, South Carolina. WECC was part of phase I of the Empowerment Zone/Enterprise Community (EZ/EC) program, which at that time was primarily funded through the U.S. Department of Health and Human Services' block grants, with program monitoring provided by Rural Development. In response to a request for assistance from the Rural Development State office, we found that WECC expended almost \$222,000 on administrative expenses, although the funds were intended for specific program projects. A former WECC official in written requests for block grants funds incorrectly stated that the funds would be used to implement program projects.

WECC officials used almost \$14,000 in block grants for unallowable expenses, such as entertainment, gifts, and unauthorized travel, and either lost or misfiled about \$169,000 in financial documents that secured loans and supported expenditures. WECC did not adequately administer its grant programs for housing rehabilitation and repair, as well as community projects, and its loan program for business startups.

We recommended that Rural Development work with South Carolina to determine a resolution to the misdirected funds and recover all improper costs. Further, Rural Development should require WECC to enhance its management controls by updating its monitoring of the status of program performance, procedures for securing financial records, and expenditure of Federal funds. We have reached agreement on all recommendations in the report.

Statistical Data

AUDITS WITHOUT MANAGEMENT DECISION

The following audits did not have management decisions made within the 6-month limit imposed by Congress. Narratives for new entries follow this table. An asterisk (*) indicates an audit is pending judicial, legal, or investigative proceedings that must be completed before the agency can act to complete management decisions.

New Since Last Reporting Period

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
FNS	03/14/01	1. CACFP Initiative - FY 2000 (27601-8-Te)	13,163	9,567
FSA	10/03/00	2. Jackson County, AR, FSA Office Operations (03006-18-Te)	8,562,338	33,667
Multiagency	01/02/01	3. Review of Controls Over Selected USDA Administrative Systems and Related Payments - Phase II (50099-19-FM)	0	0
	02/26/01	4. Audit of the FY 2000 Consolidated Financial Statements (50401-39-FM)	0	0
OCIO	03/30/01	5. Security Over USDA IT Resources Needs Improvement (50099-27-FM)	0	0
RBS	03/28/01	6. Northeast LA Delta Community Dev. Corp. Rural Enterprise Community Loans and Grants, Madison Parish, LA (34099-4-Te)	228,390	15,732
RHS	12/18/00	7. RRH Program Insurance Expenses, MS (04801-6-KC)	924,751	924,751
RMA	02/28/01	8. FY 2000 FCIC Financial Statements (05401-1-Hq)	0	0
	03/12/01	9. RMA/FCIC FY 2000 Financial Statements Report on Management Issues (05401-2-Hq)	0	0

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
	03/14/01	10. Crop Insurance for Specialty Crops (05601-4-At)	2,254,014	2,254,014

Previously Reported but Not Yet Resolved

These audits are still pending agency action or are under judicial, legal, or investigative proceedings. Details on the recommendations where management decisions had not been reached have been reported in previous semiannual reports to Congress. Agencies have been informed of actions that must be taken to reach management decision, but, for various reasons, the actions have not been completed. The appropriate Under and Assistant Secretaries have been notified of those audits without management decisions.

ARS	02/08/99	11. Audit of J.A. Jones Management Services, CYs 1994 and 1995 (02017-4-AT)	160,233	160,233
CCC	07/13/00	12. Audit of CCC Financial Statements for FY 1999 (06401-11-FM)	529,150,596	0
CR	09/30/98	13. Evaluation of CR Efforts To Reduce Complaints Backlog (60801-1-Hq)	0	0
	03/24/99	14. Evaluation of CR Management of Settlement Agreements (60801-2-Hq)	0	0
	03/10/00	15. Office of CR Management of Employment Complaints (60801-3-Hq)	0	0
	03/10/00	16. Status of Implementation of Recommendations Made in Prior Evaluations of Program Complaints (60801-4-Hq)	0	0
CSREES	03/27/97	17. Use of 4-H Program Funds - University of Illinois (13011-1-Ch)	5,633	0
	03/31/98	18. National Research Initiative Competitive Grants Program (13601-1-At)	32,757,862	32,757,862

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
FNS	03/22/00	19. CACFP – National Initiative To Identify Problem Sponsors - Wildwood (27010-3-KC)	319,279	0
FS	03/31/97	20. Research Cooperative and Cost Reimbursable Agreements (08601-18-SF)	468,547	468,547
	09/24/98	21. Assistance Agreements to Nonprofit Organizations (08801-2-Te)	7,098,026	200,795
FSA	09/30/93	22. Disaster Program, Nonprogram Crops, Mitchell County, GA (03097-2-At)	5,273,795	1,482,759
	09/19/95	23. Management of the Dade County, FL, FSA Office (03006-1-At)	75,175,410	909,437
	09/28/95	24. Disaster Assistance Payments, Lauderdale, TN (03006-4-At)	1,805,828	1,672,929
	01/02/96	25. 1993 Crop Disaster Payments Brooks/ Jim Hogg, TX (03006-1-Te)	2,469,829	2,393,241
	05/02/96	26. Disaster Assistance Program - 1994, Thomas County, GA (03006-13-At)*	2,177,640	2,145,533
	09/30/96	27. 1994 Disaster Assistance Program, ME (03601-1-Hy)	2,666,383	1,690,606
	09/30/98	28. Wool and Mohair Payment Limitation, Val Verde County, TX (03099-20-Te)	2,432,112	2,432,112
	03/30/99	29. Payment Limitation - Mitchell County, GA (03006-20-At)	881,924	881,924
	08/22/00	30. LaFlore County FSA Office Disaster Programs (03006-20-Te)*	228,764	228,764

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
FSIS	06/21/00	31. Implementation of the Hazard Analysis and Critical Control Point System (24001-3-At)	0	0
	06/21/00	32. Imported Meat and Poultry Inspection Process (24099-3-Hy)	0	0
Multiagency	09/30/98	33. CSREES Managing Facilities Construction Grants (50601-5-At)	3,824,211	2,651,292
	03/31/99	34. Private Voluntary Organization Accountability (50801-6-At)	18,629,558	18,501,064
	09/29/99	35. Effective Implementation of FFIS Will Reduce USDA's Many Financial Management System Problems (50801-07-FM)	0	0
	09/28/00	36. Crop Loss Disaster Assistance Program (50801-3-KC)	10,728,872	1,660,630
NRCS	03/31/00	37. NRCS Contracting, Procurement, and Disbursement Activities (10601-1-Te)*	784,562	473,368
RBS	10/01/99	38. Business and Industry Loan – Indiana Farms (34099-3-Ch)	595,511	595,511
	07/11/00	39. Rural Business Enterprise Grant-Vivero Caimito Project (34004-4-Hy)	1,620,256	1,620,256
RHS	08/10/98	40. Self-Help Housing Program – Grizzly Hollow Project, Galt, CA (04801-2-SF)*	0	0
	01/08/99	41. RRH Program – Dujardin Property Management, Inc., Everett, WA (04801-5-SF)*	195,694	195,694
	03/25/99	42. Guaranteed Rural Housing Loan Program (04601-2-At)	139,220,122	215,030

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
	03/31/99	43. RRH – Nationwide Initiative in NE – Bosley Management, Inc., Sheridan, WY (04801-3-KC)*	233,958	148,442
	04/20/99	44. RRH Program – Owner/ Manager, Olympia, WA (04801-6-SF)*	346,685	346,685
	05/25/00	45. RRH Nationwide Initiative in MO, St. Louis, MO (04801-2-KC)	4,922,879	483,288
RMA	09/30/97	46. Crop Insurance on Fresh Market Tomatoes (05099-1-At)	15,082,744	0
	12/16/98	47. Crop Insurance on Nurseries (05099-2-At)*	3,963,468	3,963,468
	03/30/00	48. FY 1999 FCIC Financial Statements (05401-8-FM)	0	0
	03/30/00	49. Audit of RMA/FCIC Financial Statements for FY 1999 Report on Management Issues (05401-8-FM)	0	0
Rural Development	02/01/99	50. Audit of the FY 1998 Rural Development Financial Statements (50401-28-FM)	9,529,862,000	0

1. CACFP Initiative – FY 2000, Issued March 14, 2001

We found that the sponsor was “seriously deficient” in its administration of the Child and Adult Care Food Program (CACFP), and questioned excess meal reimbursements for January 2000 of \$13,163. The State agency concurred that the sponsor was seriously deficient and removed the sponsor from the program; payment of \$3,596 of the questioned amount was offset by the sponsor. We are working with the State agency to recover the \$9,567 balance.

2. Jackson County, Arkansas, FSA Office Operations, Issued October 3, 2000

Our joint review with FSA disclosed the FSA county committee and office staff allowed producers, generally those with ties to one large producer, to use farm reconstitutions and improper “planted and considered planted” credit to build rice crop acreage bases (CAB). We recommended recovery or adjustment of \$8,562,338 in deficiency, disaster, and production flexibility contract payments and prompt payment interest for the 1992 through 2002 program years. During the audit, FSA corrected the improper CAB and yield adjustments for 1998 and future years to preclude about \$5 million in overpayments for 1998-2002. However, because of the apparent involvement of county office personnel in making improper payments and because the cost of recovery would likely exceed any recovered amounts, FSA decided collection of prior years’ (1992-1997) overpayments would not be pursued unless criminal activity was found. FSA took administrative action against several county office personnel. To reach management decision, FSA needs to review program and payment eligibility for one producer and any related entities.

3. Review of Controls Over Selected USDA Administrative Systems and Related Payments – Phase II, Issued January 2, 2001

To reach management decision on one recommendation, OCFO needs to strengthen the development and review of internal controls or provide alternative methods to address the weaknesses noted.

4. Audit of the FY 2000 Consolidated Financial Statements, Issued February 26, 2001

Management decision has not been reached on four recommendations. We need to review the detailed time-phased plan (1) to be developed by June 30, 2002, for implementing the Corporate Administrative System strategy, (2) for correcting the problems with the OCFO/ NFC suspense account balances, and (3) for the Department to establish processes and systems to meet Governmentwide cost-accounting requirements, whether single or multiple systems are used. Finally, we need an estimated date for obtaining approval to conduct the market survey on potential replacements of the Property System and to review the plan for its replacement.

5. Security Over USDA IT Resources Needs Improvement, Issued March 30, 2001

For three recommendations, OCIO needs to advise us on how it intends to require that agencies prepare and test their contingency plans and make necessary adjustments to plans based on the test results. We also need timeframes for developing and implementing a policy that requires agencies to implement firewalls between their networks and Internet access points.

6. Audit of Northeast Louisiana Community Development Corporation, Issued March 28, 2001

The audit found mismanagement of EC benchmarks, housing program violations, questionable use of EC earmarked loan funds, and potential conflict of interest involving a corporate entity. We have reached management decision on 12 of 13 recommendations.

7. RRH Program Insurance Expenses, MS, Issued December 18, 2000

The review found improper, excessive, and unapproved insurance expenses totaling \$924,751 charged to RRH projects by two management companies. We have reached management decision on two of the nine recommendations. For two others, we need more detail as to how RHS will improve its internal controls to effectively use the Multifamily Housing Information System database to ensure that insurance expenses are accurate, reasonable, and necessary. For the remaining five, the agency needs to bill the management companies.

8. FY 2000 FCIC Financial Statements, Issued February 28, 2001

We have not achieved management decision on a recommendation that noted RMA did not have adequate controls over the insurance companies' claims adjudication process. OIG needs RMA's plans to strengthen its controls over insurance companies' claim processing.

9. RMA/FCIC FY 2000 Financial Statements Report on Management Issues, Issued March 12, 2001

Seven recommendations remain without management decision, for which we need clarification and details on several IT issues and RMA's reporting processes.

10. Crop Insurance for Specialty Crops, Issued March 14, 2001

The audit disclosed weaknesses in RMA's and the insurance companies' internal controls which contributed to improper and incorrect sales and loss adjuster activities for specialty crops. As a result, indemnities totaling \$1.1 million were incorrect, and an unsupported \$1.1 million was paid to two producers. RMA has not responded to the report and its eight recommendations.

Indictments and Convictions

Between April 1 and September 30, 2001, OIG completed 269 investigations. We referred 161 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 181 indictments and 172 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 172 convictions do not necessarily relate to the 181 indictments. Fines, recoveries/collections, restitutions, claims established, cost avoidance, and administrative penalties resulting from our investigations totaled about \$28.2 million.

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

Indictments and Convictions April 1 - September 30, 2001

Agency Indictments Convictions *

AMS	1	12
APHIS	2	7
ARS	1	3
CSREES	1	1
FAS	0	1
FNS	118	98
FS	2	6
FSA	28	20
FSIS	6	8
GIPSA	6	1
NRCS	0	3
RHS	9	8
RMA	7	4
Totals	<u>181</u>	<u>172</u>

*This category includes pretrial diversions.

Office of Inspector General Hotline

The OIG Hotline serves as a national receiving point for reports from both employees and the general public of suspected incidents of fraud, waste, mismanagement, and abuse in USDA programs and operations. During this reporting period, the OIG Hotline received 1,026 complaints, which included allegations of participant fraud, employee misconduct, and mismanagement, as well as opinions about USDA programs. Figure 1 displays the volume and type of the complaints we received, and figure 2 displays the disposition of those complaints.

Figure 1

Hotline Complaints

April 1 to September 30, 2001
(Total = 1,026)

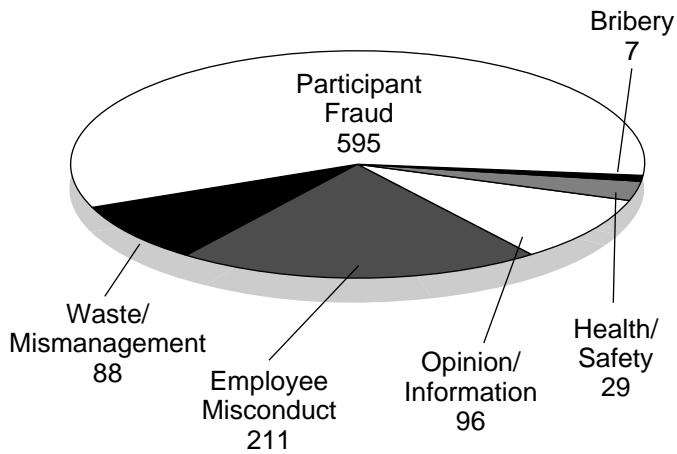
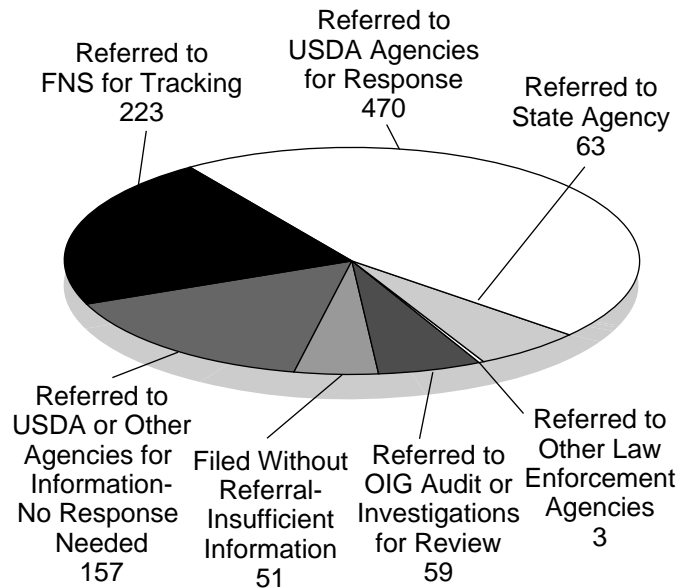


Figure 2

Disposition of Complaints

April 1 to September 30, 2001



Freedom of Information Act (FOIA) and Privacy Act (PA) Requests for the Period April 1 to September 30, 2001

Number of FOIA/PA Requests Received	233
Number of FOIA/PA Requests Processed:	212
Number of Requests Granted in Full	110
Number of Requests Granted in Part	35
Number of Requests Not Granted	46

Reasons for Denial:

No Records Available	22
Requests Denied in Full	14
Referrals to Other Agencies	16

Requests for OIG Reports From Congress and Other Government Agencies

Received	117
Processed	113

Appeals Processed 3

Appeals Completely Upheld	3
Appeals Partially Reversed	0
Appeals Completely Reversed	0

Number of OIG Reports/Documents Released in Response to Requests 108

NOTE: A request may involve more than one report. During this 6-month period, 41 audit reports were published on the Internet at the OIG Web site: www.usda.gov/oig.

Appendix I

INVENTORY OF AUDIT REPORTS ISSUED WITH QUESTIONED COSTS AND LOANS

DOLLAR VALUES

	<u>NUMBER</u>	<u>QUESTIONED COSTS AND LOANS</u>	<u>UNSUPPORTED^a COSTS AND LOANS</u>
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY APRIL 1, 2001	53	\$2,456,243,124	\$43,023,943
B. WHICH WERE ISSUED DURING THIS REPORTING PERIOD	24	\$27,701,733	\$7,805,903
TOTALS	<u>77</u>	<u>\$2,483,944,857</u>	<u>\$50,829,846</u>
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THIS REPORTING PERIOD	22		
(1) DOLLAR VALUE OF DISALLOWED COSTS			
RECOMMENDED FOR RECOVERY		\$3,974,841	\$377,480
NOT RECOMMENDED FOR RECOVERY		\$453,412	
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$2,267,156,268	
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	55	\$213,449,337	\$50,509,289
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	33	\$186,034,717	\$42,703,386

^aUnsupported values are included in questioned values.

Appendix II

INVENTORY OF AUDIT REPORTS ISSUED WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	<u>NUMBER</u>	<u>DOLLAR VALUE</u>
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY APRIL 1, 2001	25	\$1,713,260,644
B. WHICH WERE ISSUED DURING THE REPORTING PERIOD	3	\$5,749,444
TOTALS	<u>28</u>	<u>\$1,719,010,088</u>
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THE REPORTING PERIOD	14	
(1) DOLLAR VALUE OF DISALLOWED COSTS		\$78,552,639
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$1,479,260,826
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THE REPORTING PERIOD	14	\$161,239,622
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	13	\$161,060,181

Appendix III

SUMMARY OF AUDIT REPORTS RELEASED BETWEEN APRIL 1 AND SEPTEMBER 30, 2001

DURING THE 6-MONTH PERIOD BETWEEN APRIL 1 AND SEPTEMBER 30, 2001, THE OFFICE OF INSPECTOR GENERAL ISSUED 58 AUDIT REPORTS, INCLUDING 5 PERFORMED BY OTHERS.

THE FOLLOWING IS A SUMMARY OF THOSE AUDITS BY AGENCY:

AGENCY	AUDITS RELEASED	QUESTIONED COSTS AND LOANS	UNSUPPORTED^a COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGRICULTURAL RESEARCH SERVICE	1			
FARM SERVICE AGENCY	5	\$1,235,927		
RURAL HOUSING SERVICE	6	\$841,621	\$61,848	
RISK MANAGEMENT AGENCY	4	\$3,096,983		
COMMODITY CREDIT CORPORATION	1			
FOREST SERVICE	6	\$3,146,566	\$1,100,000	\$2,600,000
RURAL UTILITIES SERVICE	1			
NATURAL RESOURCES CONSERVATION SERVICE	2			\$179,441
OFFICE OF THE CHIEF FINANCIAL OFFICER	1			
FOOD SAFETY AND INSPECTION SERVICE	1			
NATIONAL AGRICULTURAL STATISTICS SERVICE	1			
FOOD AND NUTRITION SERVICE	12	\$9,318,151	\$756,751	
RURAL BUSINESS-COOPERATIVE SERVICE	4	\$8,768,316	\$4,715,965	
MULTIAGENCY	11	\$1,294,169	\$1,171,339	\$2,970,003
RURAL DEVELOPMENT	1			
CHIEF INFORMATION OFFICER	1			
TOTALS	58	\$27,701,733	\$7,805,903	\$5,749,444
TOTAL COMPLETED:				
SINGLE AGENCY AUDIT	47			
MULTIAGENCY AUDIT	11			
SINGLE AGENCY EVALUATION	0			
MULTIAGENCY EVALUATION	0			
TOTAL RELEASED NATIONWIDE	58			
TOTAL COMPLETED UNDER CONTRACT^b	5			
TOTAL SINGLE AUDIT ISSUED^c	5			

^aUnsupported values are included in questioned values

^bIndicates audits performed by others

^cIndicates audits completed as Single Audit

**AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN APRIL 1 AND SEPTEMBER 30, 2001**

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - AGRICULTURAL RESEARCH SERVICE				
02-017-0017-HY 2001/04/18	BIONETICS CROP INCURRED COST AUDITS FOR FISCAL YEARS 1997 AND 1998			
TOTAL: AGRICULTURAL RESEARCH SERVICE		1		
AGENCY - FARM SERVICE AGENCY				
03-006-0007-SF 2001/07/26	DISASTER PAYMENTS TO PRUNE PRODUCERS IN CALIFORNIA - PRODUCER B	\$521		
03-006-0009-SF 2001/07/26	DISASTER PAYMENTS TO PRUNE PRODUCERS IN CALIFORNIA - PRODUCER E	\$1,513		
03-099-0027-TE 2001/05/24	FARM SERVICE AGENCY PAYMENT LIMITATIONS - MAJORITY STOCKHOLDERS OF CORPORATIONS			
03-099-0042-KC 2001/07/30	1999 CROP DISASTER PROGRAM	\$950,894		
03-601-0038-TE 2001/07/16	CROP DISASTER ASSISTANCE PROGRAM PAYMENTS	\$282,999		
TOTAL: FARM SERVICE AGENCY		5	\$1,235,927	
AGENCY - RURAL HOUSING SERVICE				
04-004-0001-AT 2001/08/30	WILLIAMSBURG ENTERPRISE COMMUNITY	\$221,179		
04-004-0004-HY 2001/09/07	RRH TENANT INCOME VERIFICATION- VIRGINIA	\$23,777		
04-099-0001-AT 2001/06/01	GUARANTEED MULTI-FAMILY HOUSING LOANS			
04-099-0003-CH 2001/06/21	COMMUNITY PROGRAM LOANS TO RIVER VALLEY HEALTH SYSTEM			
04-099-0011-TE 2001/06/22	MANAGEMENT OF RRH PROJECTS			
04-601-0004-KC 2001/09/28	RURAL RENTAL HOUSING PROGRAM-INSURANCE EXPENSES - PHASE II	\$596,665	\$61,848	
TOTAL: RURAL HOUSING SERVICE		6	\$841,621	\$61,848
AGENCY - RISK MANAGEMENT AGENCY				
05-002-0001-TE 2001/05/21	REVIEW OF WRITTEN AGREEMENTS	\$1,565,730		
05-099-0005-SF 2001/08/15	INDEMNITY PAYMENTS TO PRUNE PRODUCERS IN CALIFORNIA - PRODUCER B	\$7,182		
05-099-0006-SF 2001/05/08	INDEMNITY PAYMENTS TO PRUNE PRODUCERS IN CALIFORNIA - PRODUCER C	\$17,451		
05-601-0007-TE 2001/08/17	WATERMELON CLAIMS IN SOUTH TEXAS	\$1,506,620		
TOTAL: RISK MANAGEMENT AGENCY		4	\$3,096,983	
AGENCY - COMMODITY CREDIT CORPORATION				
06-401-0014-FM 2001/06/27	FY 2000 CCC FINANCIAL STATEMENTS			
TOTAL: COMMODITY CREDIT CORPORATION		1		

**AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN APRIL 1 AND SEPTEMBER 30, 2001**

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - FOREST SERVICE				
08-003-0007-SF 2001/09/10	SIUSLAW NATIONAL FOREST - LAND ADJUSTMENT PROGRAM, CORVALLIS, OR			
08-007-0001-AT 2001/05/29	FS NORTHEASTERN EXPERIMENTAL STATION ACCOUNTING FOR TIMBER SALES	\$2,046,566		
08-099-0009-TE 2001/06/22	CHALLENGE COST SHARE PROGRAM			
08-099-0011-TE 2001/04/27	FOREST LEGACY PROGRAM - THE HANCOCK TRACT	\$1,100,000	\$1,100,000	
08-401-0011-AT 2001/05/04	FY 2000 FS FINANCIAL STATEMENTS			
08-601-0025-SF 2001/06/22	WORKING CAPITAL FUND ENTERPRISE SERVICES			\$2,600,000
	TOTAL: FOREST SERVICE	<u>6</u>	<u>\$3,146,566</u>	<u>\$1,100,000</u>
AGENCY - RURAL UTILITIES SERVICE				
09-401-0005-HQ 2001/04/05	FISCAL YEAR 2000 RURAL TELEPHONE BANK MANAGEMENT ISSUES			
	TOTAL: RURAL UTILITIES SERVICE	<u>1</u>		
AGENCY - NATURAL RESOURCES CONSERVATION SERVICE				
10-017-0002-HY 2001/04/26	KAJAX ENGINEERING, INC., INCURRED COST FYE DECEMBER 31, 1997			
10-017-0005-KC 2001/07/31	ALLIED RECLAIMING SERVICES, AUDIT OF CONTRACT CLAIM			\$179,441
	TOTAL: NATURAL RESOURCES CONSERVATION SERVICE	<u>2</u>		<u>\$179,441</u>
AGENCY – OFFICE OF THE CHIEF FINANCIAL OFFICER				
11-401-0007-FM 2001/07/11	FY 2000 NATIONAL FINANCE CENTER REVIEW OF INTERNAL CONTROL STRUCTURE			
	TOTAL: OFFICE OF THE CHIEF FINANCIAL OFFICER	<u>1</u>		
AGENCY - FOOD SAFETY AND INSPECTION SERVICE				
24-601-0001-FM 2001/04/04	REVIEW OF FSIS STAFFING AND BUDGETARY MANAGEMENT			
	TOTAL: FOOD SAFETY AND INSPECTION SERVICE	<u>1</u>		
AGENCY – NATIONAL AGRICULTURAL STATISTICS SERVICE				
26-099-0001-FM 2001/05/14	SECURITY OF NASS INFORMATION TECHNOLOGY RESOURCES			
	TOTAL: NATIONAL AGRICULTURAL STATISTICS SERVICE	<u>1</u>		
AGENCY - FOOD AND NUTRITION SERVICE				
27-002-0003-TE 2001/05/08	FSP - QUALITY CONTROL			
27-010-0023-SF 2001/09/28	LOS ANGELES UNIFIED SCHOOL DISTRICT'S ADMINISTRATION OF CACFP			
27-017-0020-HY 2001/08/10	FY 1998 & 1999 ABT ASSOCIATES INCURRED COST AUDIT	\$440	\$440	

**AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
BETWEEN APRIL 1 AND SEPTEMBER 30, 2001**

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
27-099-0013-HY 2001/06/19	EBT SYSTEM - DISTRICT OF COLUMBIA			
27-099-0014-SF 2001/04/13	EBT SYSTEM DEVELOPMENT - STATE OF WASHINGTON			
27-099-0015-SF 2001/04/12	FOOD SERVICE MANAGEMENT COMPANIES			
27-099-0016-SF 2001/06/12	FOOD STAMP PROGRAM ADMINISTRATIVE COSTS - STATE OF WASHINGTON	\$2,207,662		
27-099-0017-SF 2001/09/06	STATE OF HAWAII - EBT SYSTEM DEVELOPMENT REVIEW			
27-099-0018-HY 2001/09/05	FNS SECURITY OF INFORMATION TECHNOLOGY RESOURCES			
27-601-0012-KC 2001/05/11	FOOD SERVICE MANAGEMENT COMPANIES	\$3,572,137	\$756,311	
27-601-0024-CH 2001/09/06	NSLP - FOOD SERVICE MANAGEMENT COMPANIES-MWR	\$3,537,912		
27-601-0026-CH 2001/04/04	FSP CONTRACTS WITH PRIVATE VENDORS FOR ON- SITE RETAILER VISITS			
TOTAL: FOOD AND NUTRITION SERVICE		12	\$9,318,151	\$756,751
AGENCY - RURAL BUSINESS-COOPERATIVE SERVICE				
34-099-0002-AT 2001/09/14	BUSINESS AND INDUSTRY LOAN PROGRAM OMNIVEST RESOURCES INC.	\$4,052,351		
34-601-0002-SF 2001/08/31	LENDER SERVICING OF B&I GUARANTEED LOANS - LENDER IN ARIZONA	\$2,350,965	\$2,350,965	
34-601-0004-SF 2001/09/12 -	LENDER SERVICING OF B&I GUARANTEED LOANS LENDER B IN ARIZONA	\$2,365,000	\$2,365,000	
34-601-0005-SF 2001/06/11 -	LENDER SERVICING OF B&I GUARANTEED LOANS CALIFORNIA - LENDER B			
TOTAL: RURAL BUSINESS-COOPERATIVE SERVICE		4	\$8,768,316	\$4,715,965
AGENCY - MULTIAGENCY				
50-018-0010-HY 2001/05/29	PUERTO RICO DEPARTMENT OF AGRICULTURE, A-128, 6/30/96			
50-020-0015-CH 2001/07/11	SINGLE AUDIT - MICHIGAN DEPT. OF EDUCATION	\$114,000	\$114,000	
50-020-0078-HY 2001/06/06	VIRGIN ISLANDS, 9/30/95, A-128	\$1,057,339	\$1,057,339	
50-021-0002-HY 2001/06/01	COMMONWEALTH OF PENNSYLVANIA, A-133, 6/30/2000			
50-021-0004-SF 2001/07/12	A-133 AUDIT - CITY OF SAN JOSE FOR FYE JUNE 30, 2000			
50-099-0002-TE 2001/05/14	RESOLUTION OF PRODUCTION DIFFERENCES FOR CROP INSURANCE AND LOAN DEFICIENCY PAYMENTS	\$56,896		
50-099-0003-TE 2001/07/20	GRANTS/AGREEMENTS WITH THE NATIONAL FISH AND WILDLIFE FOUNDATION	\$65,934		\$2,970,003
50-099-0026-FM 2001/08/16	PURCHASE CARD MANAGEMENT SYSTEM			
50-099-0030-FM 2001/05/01	REVIEW OF PRIVACY CONSIDERATIONS WITHIN USDA AGENCY INTERNET SITES			
50-099-0032-FM 2001/08/31	FY 2001 USDA GOVERNMENT INFORMATION SECURITY REFORM ACT REPORT			
50-601-0003-CH 2001/07/23	ASSESSMENT OF APHIS & FSIS INSPECTION ACTIVITIES TO PREVENT THE ENTRY OF FOOT AND MOUTH DISEASE			
TOTAL: MULTIAGENCY		11	\$1,294,169	\$1,171,339
				\$2,970,003

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BETWEEN APRIL 1 AND SEPTEMBER 30, 2001**

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGENCY - RURAL DEVELOPMENT				
85-099-0001-HQ 2001/09/10	COOPERATIVE AGREEMENT-WASHINGTON STATE DEPT OF COMMUNITY, TRADE, AND ECONOMIC DEVELOPMENT			
TOTAL: RURAL DEVELOPMENT		<u>1</u>		
AGENCY - CHIEF INFORMATION OFFICER				
88-099-0003-FM 2001/09/21	FY 2000 NITC GENERAL CONTROLS REVIEW			
TOTAL: CHIEF INFORMATION OFFICER		<u>1</u>		
TOTAL: RELEASE - NATIONWIDE		<u>58</u>	<u>\$27,701,733</u>	<u>\$7,805,903</u> <u>\$5,749,444</u>

Abbreviations of Organizations

AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
ATF	(Bureau of) Alcohol, Tobacco, and Firearms
CCC	Commodity Credit Corporation
CR	Office of Civil Rights
CSREES	Cooperative State Research, Education, and Extension Service
DCIS	Defense Criminal Investigative Service
DSHS	Department of Social Health Services (Washington State)
FAS	Foreign Agricultural Service
FBI	Federal Bureau of Investigation
FDA OCI	U.S. Food and Drug Administration, Office of Criminal Investigations
FNS	Food and Nutrition Service
FS	Forest Service
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
GIPSA	Grain Inspection, Packers, and Stockyard Administration
IRS CI	Internal Revenue Service, Criminal Investigation
NASS	National Agricultural Statistics Service
NFC	National Finance Center
NFWF	National Fish and Wildlife Foundation
NITC	National Information Technology Center
NRCS	Natural Resources Conservation Service
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
RBS	Rural Business-Cooperative Service
RHS	Rural Housing Service
RMA	Risk Management Agency
USDA	U.S. Department of Agriculture
WECC	Williamsburg Enterprise Community Commission, Inc.