



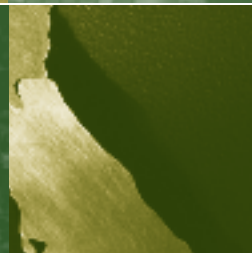
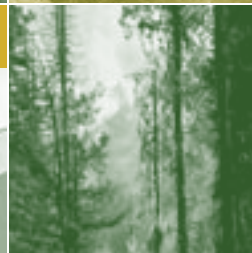
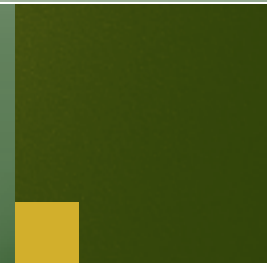
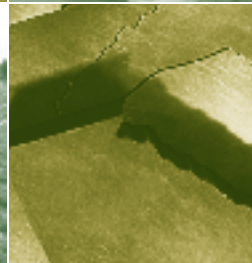
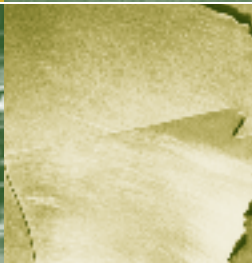
United States
Department of
Agriculture

Office of
Inspector
General

No. 55
May 2006

Office of Inspector General Semiannual Report to Congress

FY 2006 – 1st Half



MISSION OF THE OFFICE OF INSPECTOR GENERAL

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

OFFICE OF INSPECTOR GENERAL STRATEGIC GOALS

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

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

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

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

OIG MAJOR USDA MANAGEMENT CHALLENGES

Interagency Communications, Coordination, and Program Integration Need Improvement

Implementation of Strong, Integrated Management Control (Internal Control) Systems Still Needed

Continuing Improvements Needed in Information Technology Security

Reducing Improper Payments Continues To Be a Priority of Congress and the Administration

Departmental Efforts and Initiatives in Homeland Security Need To Be Maintained

Departmentwide Efforts and Initiatives on Genetically Engineered Organisms Need To Be Strengthened

MESSAGE FROM THE INSPECTOR GENERAL

The first 6 months of fiscal year (FY) 2006 provided a challenge to American agriculture, the U.S. Department of Agriculture (USDA), and the Office of Inspector General (OIG) in responding to new and emerging problems: the presence of spinal cord material in beef products sent to Japan; the need for continued bovine spongiform encephalopathy (BSE) coverage in the United States; the need to respond to the devastating 2005 hurricane season in the Gulf Coast; emerging fraud in the Food Stamp Program and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); and the threatened avian influenza pandemic. During FY 2005, OIG issued 3 significant reports related to BSE/food safety, and OIG currently has 10 audits underway (in addition to criminal investigative work) pertaining to USDA's hurricane relief efforts. OIG investigations into food stamp fraud in FY 2005 resulted in 116 convictions and more than \$16 million in monetary recoveries. This report documents OIG efforts to address these issues within existing resources while continuing our ongoing work in financial statements, the Federal Information Security Management Act of 2002, homeland security, farm programs, crop insurance, and other benefit programs.

Our more traditional work continues full force. In the first 6 months of FY 2006, we conducted successful investigations and audit programs that led to 250 arrests, 117 convictions, \$40 million in recoveries and restitutions, management agreement on audits containing 198 program improvement recommendations, and \$185.7 million in financial recommendations. Our independent, professionally rigorous audits and investigations focused on the following areas:

Safety, Security, and Public Health

- protecting against the spread of BSE
- strengthening controls over genetically engineered organisms
- preparing for the threatened avian influenza pandemic
- ensuring that beef products from the United States do not contain prohibited materials

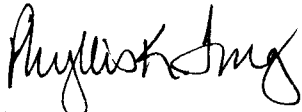
Integrity of Benefits and Entitlements Programs

- protecting the integrity of aid being given by USDA to hurricane victims in the Gulf Coast
- obtaining 19 convictions in a case that involved benefits for mothers with children
- identifying nearly \$12 million in overclaims for an assistance program
- obtaining convictions in investigations that involved programs for schoolchildren

Management of Public Resources

- identifying improvements needed in the management and oversight of the Packers and Stockyards Programs
- emphasizing the necessity to oversee the proper and timely implementation of the Improper Payments Information Act of 2002
- issuing clean (unqualified) audit opinions on USDA financial statements while identifying ongoing challenges in financial management and IT security

The support and cooperation we have received from Department officials and Congress in working on the critical issues facing American agriculture has been gratifying. We look forward to continuing our constructive working relationship with Secretary Mike Johanns, Deputy Secretary Chuck Conner, officials throughout the Department, and Congress to improve USDA programs and operations in FY 2006.



Phyllis K. Fong
Inspector General

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Safety, Security, and Public Health

OIG Strategic Goal 1:

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

To help the United States Department of Agriculture (USDA) and the American people meet the critical challenges in safety, security, and public health, it is our responsibility in the Office of Inspector General (OIG) to provide independent, professional audits and investigations in these areas. Our work addresses such issues as the ongoing challenges of protecting the American public and the American herd from the spread of bovine spongiform encephalopathy (BSE, or more commonly “mad cow disease”), strengthening controls over genetically engineered organisms, preparing for and responding to avian influenza, and investigating crimes by or against Federal employees on Federal property.

In the first half of FY 2006, we devoted 13.5 percent of our total audit and investigative resources to Goal 1. Further, 91.1 percent of the time we spent directly on Goal 1 was assigned to critical/high-impact work. A total of 93.8 percent of our audit recommendations under Goal 1 resulted in management decision within 1 year, and 58.8 percent of our investigative cases had criminal,

civil, or administrative action taken. OIG issued six audit reports under Goal 1 during this reporting period. OIG’s investigations under Goal 1 yielded 8 indictments, 10 convictions, and about \$338,784 in monetary results during this reporting period.

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 1

BSE Surveillance Program and Specified Risk Material Controls Could Be Improved

Approximately 6 months after the December 2003 discovery of a cow infected with BSE, the Animal and Plant Health Inspection Service (APHIS) implemented its expanded BSE surveillance program. As of May 2005, more than 350,000 animals had been sampled and tested for BSE. Since the expansion of the surveillance program, two additional animals have tested positive for BSE.

At the time of our audit, we could not fully assess any of APHIS’ approaches to determining the prevalence of BSE because it had not finalized its analysis, although we did offer some observations. APHIS obtained significantly more samples for testing than originally thought needed, but, because the program is voluntary and USDA-published data on the U.S. herd is not comprehensive, we could not determine the extent to which APHIS obtained a representative sample of either high-risk or apparently

Management Challenges Addressed Under Goal 1

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

healthy adult cattle. Specifically, we could not determine how similar the distribution of tested cattle is to that of the U.S. herd, especially regarding age, geographic location, and surveillance stream (clinical suspects, fallen stock, casualty slaughter, and routine slaughter). We recommended that USDA re-evaluate and adjust its testing protocols based on its evaluation of emerging science and strengthen its proficiency testing and quality assurance reviews at participating laboratories, especially for inconclusive test results. At the Secretary's direction, APHIS revised its testing protocols to require additional confirmatory procedures when inconclusive test results occur. APHIS also agreed to publish information to fully advise stakeholders of assumptions and procedures, limitations of data, and conclusions reached as a result of the BSE surveillance program. In addition, APHIS agreed to perform additional outreach to emphasize the importance of accurately determining and recording the age of the target animals, and to ensure that laboratory personnel understand procedures.

The Food Safety and Inspection Service (FSIS) condemns cattle if they exhibit signs associated with BSE, and bans specified risk materials (SRM) such as brain, skull, eyes, and spinal cord from the food supply. We did not identify SRMs entering the food supply; however, due to the lack of adequate records, we could not determine whether procedures to remove, segregate, and dispose of SRMs were followed and/or adequate in 9 of the 12 establishments reviewed. FSIS does not have an information system to track noncompliance violations relating to SRMs. FSIS agreed to verify the adequacy of SRM control programs at all beef slaughter and processing establishments and confirm compliance with SRM control procedures through its Performance Based Inspection System, which should be modified to allow for timely analysis of violation trends and tracking corrective action. Management has agreed to implement all of OIG's recommendations. (Audit Report No. 50601-10-KC, BSE Surveillance Program – Phase II and Controls Over BSE Sampling, SRMs, and Advanced Meat Recovery Products – Phase III)

USDA Needs To Strengthen Controls for Beef Exported to Japan

On January 20, 2006, Japan halted the importation of U.S. beef products because veal product exported from a U.S. plant contained vertebral column material, a violation of an agreement between the United States and Japan. The Secretary immediately announced 12 actions that USDA would undertake to facilitate resuming trade and requested that OIG review the adequacy of USDA's coordination and control processes for the Beef Export Verification (BEV) program for Japan. We concluded that the Agricultural Marketing Service (AMS) and FSIS could strengthen controls over the BEV program by better communicating BEV program requirements, clearly defining roles and responsibilities, and implementing additional oversight of FSIS inspection personnel.

In response to our audit, AMS agreed to maintain a list of specific export-eligible products for each facility with an approved BEV program, systematically notify FSIS when any establishment is approved/delisted from a BEV program, and work with establishments to ensure their processes and controls adhere to BEV program requirements. FSIS agreed to clarify the roles and responsibilities of FSIS personnel involved at each stage of the export verification process, expedite the development of export certification training, and increase supervisory oversight of the export certification process. These actions, along with the 12 announced by the Secretary, should further strengthen the program. (Audit Report No. 50601-11-HQ, Assessment of USDA's Controls for the Beef Export Verification Program for Japan)

Significant Steps Still Need To Be Implemented Regarding the Canadian Inspection System

FSIS regulations require foreign inspection systems for meat and poultry products to provide standards equivalent to those of the United States to allow imports from those countries into the United States. In July 2003—and again in June 2005—FSIS found that Canada was not enforcing certain pathogen reduction and Hazard Analysis and Critical Control Point (HACCP) system regulations. All plants must develop, adopt, and implement a HACCP plan

for each of their processes. Under HACCP, plants identify critical control points during their processes where hazards such as microbial contamination can occur, establish controls to reduce those hazards, and maintain records documenting that controls are working as intended. FSIS did not have protocols for evaluating deficiencies that could jeopardize a country's overall equivalence determination. In addition, FSIS did not institute compensating controls (e.g., increased port-of-entry testing) to ensure that public health was not compromised by deficiencies. More than 4.4 billion pounds of Canadian processed products entered the United States from January 2003 through May 2005, even though FSIS officials questioned the equivalence of the Canadian inspection system.

Our July 2005 management alert reported that FSIS had not taken timely action to resolve the 2003 finding that Canada does not require daily inspection coverage at processing establishments to approximate U.S. standards. Further, in testing for *Listeria monocytogenes*, Canada requires risk-based environmental sampling, versus the finished product sampling required by FSIS. In addition, FSIS' actions regarding Canadian establishments were not consistent with its treatment of establishments in other countries.

We recommended that FSIS develop and implement protocols for determining which equivalence deficiencies would call into question a country's overall equivalence to U.S. standards. FSIS also needs to make an equivalence determination on the Canadian inspection system control for *Listeria monocytogenes* in ready-to-eat products. In response to our audit, FSIS agreed to make an equivalence determination regarding daily inspection coverage by 2007. In the interim, FSIS agreed to ensure that there is no increased risk to public health in the United States by doubling the sampling of Canadian shipments, and Canadian inspection officials agreed to increase the presence of inspectors in processing establishments exporting to the United States. (Audit Report No. 24601-05-Hy, FSIS Assessment of the Equivalence of the Canadian Inspection System)

Stronger Controls Would Improve the In-Plant Performance System (IPPS)

FSIS' management control system needs strengthening to ensure accountability of consumer safety inspector performance. FSIS did not require supervisors to complete the entire IPPS review form when evaluating inspectors, so supervisors had not completed all sub-elements on 84 percent (100 of 119) of the review forms examined. Many of the sub-elements related to critical aspects of inspector duties, such as Hazard Analysis and Critical Control Point (HACCP) procedures. HACCP sets certain pathogen reduction performance standards and process control performance criteria, establishes testing programs to ensure those standards are met, and assigns tasks to inspectors to enable them to ensure regulatory performance standards are met. In addition, FSIS had no system to schedule and track the completion of IPPS reviews, and supervisors were not required to use the extensive guidance available to them in preparing for IPPS reviews. As a result, supervisors had not used significant segments of the guidance to enhance their on-site review of consumer safety inspectors.

FSIS agreed to closely monitor field managers and supervisors involved in the IPPS process, analyze IPPS review data, and periodically evaluate the IPPS review process. FSIS also agreed to revise its guidance to require supervisors to examine specific data sources and system reports before performing an IPPS review, complete all sub-elements on review forms during an inspector's rating period, and provide narratives for all review elements. (Audit Report No. 24601-6-Ch, Review of FSIS' IPPS)

Cattle Smuggler Sentenced

As reported last period, in September 2004, OIG and APHIS began to investigate Canadian cattle being smuggled into the United States through an Indian reservation. The smuggling of cattle into the United States poses a significant safety and health risk because the animals have not been inspected to ensure they are free from diseases such as BSE. In March 2005, two individuals were indicted. One, a Canadian citizen, pled guilty in U.S. Federal Court in Utica, New York, and, in November 2005, was fined \$3,100 and released to the Indian reservation in Canada. Charges against the other, a U.S. citizen, are pending.

Inspection of ARS Laboratory Concerning Implementation of Safety Recommendations

Personnel from OIG's Planning and Special Projects (P&SP) Division (which performs research and inspection activities) conducted an inspection of an Agricultural Research Service (ARS) laboratory. This laboratory had been the subject of a Centers for Disease Control and Prevention (CDC) investigation following a dual infection with *Escherichia coli* (*E. coli*) and *Salmonella* of a research laboratory worker. A biological scientist on our staff verified that ARS, to the extent possible, had implemented the corrective actions recommended by CDC. The P&SP staff provides OIG with the ability to quickly respond to emerging issues.

APHIS' Oversight and Enforcement of Security for Biological Agents and Toxins Need Strengthening

"Select" plant and animal biological agents and toxins are those that pose a severe threat to animals, plants, and products. For such agents and toxins, APHIS had not ensured that entities were fully complying with regulations regarding security plans; restricting access; training individuals authorized to possess, use, or transfer them; and maintaining current and accurate inventories. This occurred because APHIS had not promptly or adequately reviewed required security measures, leaving select agents or toxins vulnerable to potential theft or misuse. APHIS generally agreed with our recommendations about specific ways to improve inspections and the need to re-inspect registered entities to ensure compliance with security regulations, using formal written procedures to ensure that the inspections are consistent and thorough. (Audit Report No. 33601-3-At, Evaluation of the Implementation of the Select Agent or Toxin Regulations – Phase II)

APHIS Needs To Improve Regulation of GE Crops

We found that APHIS needs to strengthen its accountability for field tests of genetically engineered (GE) crops. At various stages of the field test process—from approval of

applications to inspection of fields—weaknesses in APHIS' internal management controls increase the risk that regulated genetically engineered organisms (GEO) will persist in the environment before they are deemed safe to grow without regulation. Depending on the GE crop, APHIS authorizes field tests through two methods—permits and notifications. For field tests of high-risk GE crops, such as those designed to produce pharmaceutical and industrial compounds, APHIS issues permits. For GE crops that APHIS considers low-risk based on its scientific experience with the plants, applicants can use a more streamlined notification process. However, we found that APHIS lacks basic information about the field test sites it approves and is responsible for monitoring, including where and how the crops are being grown and what becomes of them at the end of the field test. Improving how APHIS gathers information about these crops is crucial to adequately monitoring GE plants and preventing them from entering the food supply before they are judged safe for human consumption.

Our audit made 28 recommendations for strengthening controls in this area. Most significantly, we recommended that APHIS (1) obtain more information on field tests to identify where regulated GE crops are planted, as well as the final disposition of high-risk pharmaceutical and industrial harvests; (2) obtain applicants' scientific protocols for conducting field tests and seek legislative authority to require permit applicants to provide proof of financial responsibility in case of an unauthorized release of GEOs; (3) formalize its inspection process and update its regulations; (4) develop a comprehensive tracking system for GEO release permits and notifications; and (5) develop guidance on devitalization deadlines and edible crops.

APHIS officials agreed with and have acted on 23 of the 28 recommendations, making significant improvements to the program. In its March 27, 2006, followup response to OIG, APHIS provided additional information on the open recommendations. APHIS stated that it will develop a policy to clarify its current risk- and science-based position and that this policy will be completed by December 31, 2006. We are analyzing the response from APHIS and working with the agency to resolve remaining differences. (Audit Report No. 50601-8-Te, APHIS Controls Over Issuance of GEO Release Permits)

Meat Company Pleads Guilty to Smuggling Poultry Products Into the U.S.

In March 2005, a meat company and its owners pled guilty in Los Angeles to three felony counts of smuggling prohibited poultry products. A November 2000 inspection by the former U.S. Customs Service of a shipment imported from Vietnam revealed prohibited poultry products: frozen duck and chicken feet in clear plastic bags with no labels or any mark of Federal inspection. The container manifest identified the contents as “seafood.” In October 2005, the company was sentenced to 60 months of probation, fined \$250,000, and assessed \$800. The two owners were placed on probation for 24 months and each agreed to pay a criminal fine of \$7,500 and a mandatory assessment of \$100.

Remaining Lab Employees Sentenced for Smuggling Viruses from Saudi Arabia

As previously reported for the second half of FY 2004, company officials at a manufacturer and international supplier of poultry vaccines smuggled live Exotic Newcastle Disease and avian influenza viruses from Saudi Arabia into the United States. In July 2005, the company was sentenced to 60 months of probation, fined \$500,000, and assessed \$2,125. Six company officials, a university department chairman, and a veterinarian were sentenced to prison terms ranging from several months to more than a year, probation, and fines and restitution totaling \$591,710. In January 2006, sentencing was completed and the company also paid a civil settlement of \$100,000.

Indiana Farm Quarantined, Smuggled Poultry and Eggs Destroyed

An Indiana man and his wife had their poultry farm quarantined and the birds and eggs destroyed for circumventing USDA requirements on importation of poultry and eggs into the United States. The wife had developed a new breed of chicken with unique feathering. From May to September 2005, nine shipments of eggs from the United Kingdom were intercepted at Chicago’s O’Hare International Airport by U.S. Department of Homeland Security’s (DHS) Customs and Border Protection, though

other shipments were delivered. The eggs were manifested on the customs declaration as plastic samples, plastic wrap, porcelain, and glass ornaments. The wife admitted to smuggling the eggs into the United States to save the bloodline and circumvent payment for the proper veterinary certificates. A total of 149 chickens, 9 turkeys, and 111 eggs were quarantined and destroyed. The U.S. Attorney’s Office declined criminal prosecution of the husband and wife because of the destruction of the eggs. This was a joint investigation with APHIS’ Investigative Enforcement Services.

Three Companies Guilty in Conspiracy To Export Prohibited Potatoes to Mexico

From April through August 2000, multiple agriculture brokers and producers provided false origin information to USDA PPQ Officers to obtain phytosanitary certificates. These certificates, issued in southern California, were required by Mexico to export potato shipments from the United States. The potatoes actually originated from States that had previously been barred by Mexico because potatoes from those States contained golden nematodes (*Globodera rostochiensis*), considered a pest requiring quarantine in Mexico. The shipments, accompanied by a false phytosanitary certificate, were tested by Mexico and found to contain golden nematodes. Based on the false origin information on the certificates, Mexico barred additional States from exporting potatoes. In July and August 2005, one brokerage company and one potato producing company were indicted and pled guilty to providing false information. In November 2005, a second brokerage company pled guilty to providing false information. Both companies were sentenced to probation, as well as given combined fines of \$20,525 and restitution of \$30,000.

Numerous Sentencings in Investigation for Trafficking in Endangered Species

As reported for the first half of FY 2005, the owners of a Minnesota animal park conspired with numerous individuals nationwide to make false statements on APHIS forms to illegally sell and transport endangered species in violation of the Lacey Act. Nine individuals and one corporation

pled guilty to a variety of charges. In October 2005, one owner was sentenced to serve 18 months in Federal prison, followed by 36 months of probation. The other owner was sentenced, in September 2005, to 15 months in prison and 24 months of probation. The seven other subjects were sentenced to home detention and/or probation. Two of the subjects were required to post notices on their business Web sites that they have been convicted of Lacey Act violations, and another was ordered to participate in a public service educational video.

FS Needs To Manage Firefighting Contract Crews Better

FS has been increasing its use of contract suppression crews, but it did not review and verify contracted firefighters' qualification and training records or monitor pre-season work capacity testing. A significant number of contracted firefighters may not have been qualified to perform their duties, as evidenced by missing training certificates, improperly completed task books, and advancement to supervisory positions without adequate experience. FS also lacked oversight of private associations that trained contract firefighters.

In addition, we found that FS had problems with contracted crews' and crew supervisors' ability to communicate in English, which could seriously impact safety and the ability to effectively use the contracted crew on the fire line. Further, undocumented workers were improperly hired on contract firefighting crews; we did not have sufficient information to estimate their percentage.

FS agreed to verify firefighter qualification records and clarify work experience requirements, monitor private associations that provide training to ensure that they meet

standards, adopt a standardized field language assessment for contract crews and ensure the use of a pre-season language assessment and certification, and coordinate with other Government agencies having regulatory or enforcement authority in order to identify counterfeit documents used to obtain employment on contract crews. (Audit Report No. 08601-42-SF, FS Firefighting Contract Crews)

FS Firefighter Sentenced for Rape of a Minor

In December 2005, an FS seasonal firefighter, stationed at the Smith River National Recreation Area (NRA) and Gasquet Ranger District in California, pled guilty to rape of a minor, lewd and lascivious acts upon a child under the age of 14, and related charges. He resigned from his FS position. The conduct charged in the complaint occurred in the FS employee barracks at the Six Rivers NRA. The employee was sentenced to 12 months in jail and 36 months of probation, and must register as a sex offender.

FS Firefighter Sentenced for Kidnapping and Raping Co-worker

In March 2006, an FS firefighter was sentenced to 36 years to life for the kidnapping and rape of a co-worker. In April 2005, a female FS firefighter alleged that she had been raped, kidnapped, and held hostage by a male co-worker. It was alleged that this started in the FS barracks and that later she was taken against her will to the subject's residence. The male firefighter was arrested by the Los Angeles County, California, Sheriff's Department and charged with six counts relating to rape, sodomy, and kidnapping. In April 2005, FS fired the subject, and in October he was convicted by jury trial.

GOVERNMENT-WIDE ACTIVITIES – GOAL 1

Participation on Committees, Working Groups, and Task Forces

- OIG staff members have been participating in the President's Council on Integrity and Efficiency's (PCIE) Inspection and Evaluation Committee (I&E) Roundtable meetings. OIG commented on I&E's paper titled "A Guide for Inspectors General on the Evaluation of Agency Emergency Preparedness Under the National Incident Management System (NIMS) Framework." Our comments addressed the purpose, audience, and use of the guide.

ONGOING AND PLANNED REVIEWS FOR GOAL 1

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

- APHIS' oversight of avian influenza,
- review of Customs and Border Protection's agricultural inspection activities at U.S. borders (APHIS),
- general controls at the Center for Veterinary Biologics (APHIS),
- controls at the APHIS Emergency Operations Center,
- controls over interstate movement and disposition of animals (APHIS),
- egg processing inspection (FSIS),
- effectiveness of controls over the Bovine Tuberculosis (TB) Eradication Program (APHIS and FSIS),
- review of Pathogen Reduction Enforcement Program sampling procedures (FSIS),
- FSIS State Meat and Poultry Programs,
- effectiveness of APHIS' controls to identify and prevent unauthorized entry of prohibited products,
- USDA progress in enhancing agricultural biosecurity through diagnostic and reporting networks (APHIS, FSIS, and Cooperative State Research, Education, and Extension Service (CSREES)),
- USDA's role in the export of genetically engineered agricultural commodities (Foreign Agricultural Service (FAS), Grain Inspection, Packers and Stockyards Administration (GIPSA), APHIS, and Agricultural Marketing Service (AMS)),
- application controls over the National Pathogen Inventory (ARS),
- USDA controls over genetically engineered animals/insects research (APHIS and ARS),
- USDA homeland security initiatives (APHIS, Farm Service Agency (FSA), Risk Management Agency (RMA), FSIS, and Food and Nutrition Service (FNS)),
- assessment of FSA's new port approval and inspection process made effective July 1, 2004, and
- followup review of FS' security over explosives.

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

Integrity of Benefits and Entitlements Programs

OIG Strategic Goal 2:

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

OIG conducts audits and investigations to ensure or restore integrity in the various benefit and entitlement programs of USDA, including a variety of programs that provide payments directly and indirectly to individuals or entities. Their intended beneficiaries include the working poor, hurricane and other disaster victims, and schoolchildren, as well as farmers and producers. These programs support nutrition, farm production, and rural development and involve tens of billions of dollars in outlays for FY 2006.

In the first half of FY 2006, we devoted 41.6 percent of our total audit and investigative resources to Goal 2. Further, 91.3 percent of the time we spent directly on Goal 2 was assigned to critical/high-impact work. A total of 65.6 percent of our audit recommendations under Goal 2 resulted in management decision within 1 year, and 79.5 percent of our investigative cases had criminal, civil, or administrative action taken. OIG issued 19 audit reports under Goal 2 during this reporting period. OIG investigations under Goal 2 yielded 95 indictments, 91 convictions, and about \$16 million in monetary results during the reporting period.

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 2

OIG's Response to Hurricanes Katrina and Rita

The Gulf Coast region suffered immense devastation from Hurricanes Katrina and Rita, and USDA is playing a significant role in Federal recovery efforts. The Department's budget for hurricane relief aid totals over \$4.5 billion to date. The President and Congressional leaders promptly requested Inspectors General to provide oversight of Federal disaster aid programs. Our office has developed a plan for oversight of USDA's disaster relief efforts. Our goal is to ensure accountability for the Department's hurricane relief expenditures and to help agency officials assist citizens and communities in the Gulf region as efficiently as possible. We are working with USDA officials and other Federal OIGs to prevent waste, fraud, and abuse from occurring in the multi-faceted relief efforts now underway.

Audit Initiatives

We currently have 10 audits underway pertaining to USDA actions responding to Hurricanes Katrina and Rita, and we have targeted those disaster relief programs that may be the most vulnerable to fraud. We are: (1) monitoring the Food and Nutrition Service's (FNS) Disaster Food Stamp Program

Management Challenges Addressed Under Goal 2

- Interagency Communications, Coordination, and Program Integration Need Improvement (also under Goals 1 and 3)
- Implementation of Strong, Integrated Management Control (Internal Control) Systems Still Needed (also under Goal 3)

in Louisiana, Texas, and Mississippi to reduce fraud such as duplicate payments; (2) reviewing administrative controls at the Rural Housing Service (RHS) regarding single and multi-family housing assistance provided to hurricane victims; (3) assessing the impact of any waivers or revisions of administrative procedures for issuing conservation or farm program benefits to farmers who suffered economic losses from the hurricanes; and (4) reviewing FS use of Federal Emergency Management Agency funds to establish tent cities and obtain supplies for relief workers. In addition, we provided the DHS OIG with a suggestion about how to improve emergency procurements in a disaster situation.

Investigative Activities

The OIG Office of Investigations is working closely with other Federal, State, and local law enforcement agencies to conduct investigations into fraud associated with the relief and reconstruction efforts in the response to Hurricanes Katrina and Rita. We have special agents assigned to the U.S. Department of Justice (DOJ) Hurricane Katrina Fraud Task Forces located throughout the United States. Based on referrals from the U.S. Attorneys' Offices in Louisiana and Mississippi, we have several ongoing investigations of individuals who filed false applications to obtain benefits to which they are not entitled.

In January 2006, an individual pled guilty to making false statements on the food stamp application he submitted. In September 2005, FNS had authorized a disaster food stamp program in Louisiana parishes affected by Hurricane Katrina. The individual submitted an application to the State of Louisiana Department of Human Services, listing a New Orleans address as his residence, and received \$447 in disaster food stamp assistance from September through November 2005. Our investigation found that the subject was not entitled to this assistance because he did not live in the affected area. Sentencing is pending.

Ohio Furniture Store Owner Guilty of Trafficking in Food Stamps and Stolen Property

From January 2002 to January 2004, an Ohio furniture store owner led a nationwide network that trafficked in stolen merchandise and food stamps through inner-city markets near Dayton, Ohio. The stolen merchandise that was transported to several other States included infant formula, diabetic blood glucose test strips, over-the-counter medications, and health and beauty aids worth about \$448,656. Much of the stolen infant formula was transported interstate to Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) authorized stores. During more than 47 undercover transactions, food stamp benefits totaling \$30,083 were trafficked via Electronic Benefits Transfer (EBT) cards.

In January 2004, the store owner and 19 others were charged with food stamp trafficking, receipt and interstate transportation of stolen property, conspiracy, and money laundering. Nineteen, including the store owner, have pled guilty or been convicted. Sixteen received sentences ranging from 8 to 28 months of incarceration with 12 to 36 months of probation, total fines of \$6,950, and total restitution of \$87,552. In March 2006, the store owner was sentenced to 11 years of incarceration, 5 years of supervised release, and more than \$2.6 million in restitution. Sentencing is pending for the two others. This was a joint investigation with the Ohio Organized Crime Investigations Commission and the Federal Bureau of Investigation (FBI).

Store Owner Guilty of Trafficking Approximately \$7 Million in Food Stamps

In November 2005, the owner of a small grocery store in Chicago, Illinois, pled guilty to two counts of wire fraud. From January 1997 through August 2002, the store owner redeemed approximately \$7 million in electronic food stamp benefits, despite annual reported food sales of only \$150,000 and purchases of food and non-food inventory of approximately \$1.9 million. The owner admitted that he conspired with the store manager, who died in 2004, to conduct thousands of illegal electronic food stamp benefit transactions.

Inadequate Controls for SWIP in Puerto Rico Lead to Overclaims of \$11.8 Million

The Special Wages Incentive Program (SWIP) in Puerto Rico subsidizes wages for employers hiring participants in the Nutrition Assistance Program (NAP), the legislatively authorized replacement of the Food Stamp Program in Puerto Rico. Our review of the employment program found the program in need of significant and lasting reform because it lacked clearly defined program objectives and performance measures. As a result of our concerns, the Puerto Rico Department of the Family (DOF) voluntarily froze employment referrals under SWIP on May 6, 2005, and later determined that it would end the program.

We determined that \$11.8 million in Federal funds was not properly supported with matching funds from the Commonwealth or from the sponsors under contract with DOF to provide referral services to the NAP participants. We recommended that FNS recover these funds from the Commonwealth. We also determined that the fixed rate used to reimburse the sponsors was significantly higher than the operating costs of sponsors; for one sponsor the reimbursement was more than 300 percent of the sponsor's reported operating costs. We questioned the appropriateness of this high level of reimbursement. We recommended that FNS strengthen oversight controls at both the Federal and Commonwealth government levels to ensure that Federal funding is properly and effectively used.

Our report established basic guidelines for strengthening controls for the employment program that will succeed SWIP. FNS agreed to require DOF to clearly define the replacement program's objectives and establish oversight controls to ensure that the program's objectives are met and that the program operates successfully. FNS also agreed to establish and pursue the claim against the Commonwealth. (Audit Report No. 27099-60-At, SWIP in Puerto Rico)

Contract Provisions Not Enforced Against FSMC Cost Local SFAs \$1.3 Million

FNS administers the National School Lunch Program (NSLP) and the School Breakfast Program (SBP) at the Federal level. A State agency administers the programs at the local level, and monitors and assists local school food authorities (SFA), who may contract with food service management companies (FSMC) to operate their nonprofit food service operations. Although FSMCs can provide most of the routine administration of the food service operations, the SFA retains the responsibility of ensuring that food operations comply with program regulations.

We found that a large nationwide FSMC did not pass on to local SFAs at least \$1.3 million in incentives, discounts, rebates, etc., it had received from food manufacturers for food, beverage, and supply purchases in 106 contracts. FSMC officials asserted that SFAs received lower prices overall because the purchase incentives subsidized management fees, keeping its fees lower than any other FSMC. In reality, the audited FSMC was paying more than a second FSMC we compared it to, and, in turn, the SFAs were likely paying more to the audited FSMC for comparable items.

State agencies responsible for overseeing the SFAs' contracts did not have procedures in place to ensure that the incentive provisions were enforced. Generally, Federal regulations require "a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders." Current FNS regulations do not specifically state that State agencies and local SFAs are responsible for enforcing contract provisions. However, FNS has proposed regulations to clarify that State agencies must check SFA contracts for compliance prior to SFAs signing contracts with FSMCs on a yearly basis. The proposed regulations also require that companies providing food management services identify all incentives (discounts, rebates, and other applicable credits) when billing an SFA.

FNS generally agreed to instruct the State agencies to work with SFAs to evaluate FSMC contract compliance pursuant to the terms of the contracts. FNS stated that agency policy prohibits the retention of earned income or prompt payment discounts earned by FSMCs only when the amounts are earned using funds advanced by the SFA.

We maintain that all costs billed by the company to its SFAs should be the net costs incurred by the company for food, beverages, and supplies purchased on behalf of the SFA. (Audit Report No. 27601-15-KC, NSLP, Cost-Reimbursable Contracts With an FSMC)

Cafeteria Employee Pleads Guilty to Embezzling School Lunch Funds

In March 2006, a former food service director was sentenced in Federal court in Pittsburgh, Pennsylvania, to 12 months of home confinement, followed by 24 months of probation, and ordered to pay \$18,239 in restitution. The former director, working at the Avella School District, embezzled \$18,239 from the USDA School Lunch Program from 1999 through 2003. The USDA School Lunch Program is vital to ensuring that children throughout the United States are receiving nutritional meals essential for healthy growth and development. The former director resigned in October 2003 and in November 2005 pled guilty to theft of Government funds.

Minnesota's Implementation of New CACFP Rules Did Not Improve Program Oversight

We evaluated the Minnesota Department of Education's (State agency) oversight of the Child and Adult Care Food Program (CACFP), emphasizing the implementation of several new rules implemented by FNS to address past abuse. Our review disclosed that the State agency was not prepared to fully implement the requirements of a new edit check that would identify meal claims exceeding a maximum level. The State agency and 2 of its 10 sponsors also did not properly implement other key components of the new rules, such as the serious deficiency process and the policies for restricting outside employment. Finally, the State agency did not take appropriate action to secure and return to FNS \$265,347 in court-ordered restitutions for fraudulent provider activities involving four day care home providers.

FNS agreed to: (1) require the State agency to employ procedures to comply with the new rules and provide FNS with its procedures and timeframes for implementing the new edit check; (2) amend its procedures and issue guidance to its sponsors in regard to the new serious deficiency process, the

outside employment policy, the household contact policy, and monitoring staff levels; and (3) improve its overall internal review process and collect the \$265,347 in Federal funds resulting from court-ordered restitutions. (Audit Report No. 27010-18-Ch, Monitoring of CACFP Providers in Minnesota)

Day Care Facility Owner Pleads Guilty to Submitting False Statements

In March 2006, the former owner of an Illinois day care facility was sentenced to 12 months of probation and ordered to pay \$25,000 in restitution to USDA. In December 2005, the day care owner had pled guilty to submitting false claims for reimbursement under CACFP. From 1998 to 2002, the owner and her employees falsely reported information, such as the number of meals served, for reimbursement purposes. The day care owner fraudulently received \$25,684 from USDA and \$700,000 from other childcare subsidy programs.

Georgia Needs To Improve Management Controls Over Methods To Estimate WIC Administrative Costs

For the FNS-administered WIC Program, we examined the FNS Southeast Regional Office and the Georgia Department of Human Resources' (State agency) controls over WIC administrative costs. The State agency allocated salary costs to the WIC Program for employees who work on both WIC and other programs, using random samples to statistically project the percentage of time the workers spend on WIC activities. Inadvertently, employees whose salaries were funded 100 percent by WIC were included in these studies. These employees should not have been included in the studies because all of their salary costs were already charged directly to the WIC Program. Including these employees in the random samples resulted in inflated administrative costs charged to the WIC Program. The State agency also has not developed verification procedures for random moment sample study results. This procedure should include a method by which sample takers and employees, at the time of observation, sign a statement attesting to the validity of the observation. During FY 2004, \$89.8 million was allocated based on the studies.

We also found that personnel costs of more than \$111,000 were charged to WIC without proper support or justification. Finally, the State agency did not have procedures in place to ensure the timely resolution of independent Certified Public Accountant audit findings. As a result, no actions were taken to address about \$5.7 million in questioned costs to WIC and correct the associated deficiencies. FNS generally agreed to our series of recommendations to address the deficiencies noted and recover more than \$111,000 in questioned costs. (Audit Report No. 27002-2-At, WIC Administrative Costs in Georgia)

Former Indiana Employee and Co-conspirators Sentenced for Diverting Funds

The former director of the FNS-funded Indiana Manpower and Comprehensive Training (IMPACT) program and three co-conspirators pled or were found guilty of diverting approximately \$600,000 from the IMPACT program to themselves from June 2001 through April 2004. In January 2006, the former director and two co-conspirators were sentenced to 72, 60, and 24 months of incarceration, respectively, as well as probation and community service, and were ordered to pay restitution ranging from \$16,500 to \$261,500 each. The remaining co-conspirator awaits sentencing.

More Than \$9 Million in Loans Issued to Ineligible Applicants With Prior Debt Forgiveness

When farmers and ranchers are unable to repay their Farm Loan Programs (FLP) loans in full, Congress requires that FSA consider them ineligible for future loans. Using data-mining techniques, we reviewed the 139,466 loans active in FSA's database (as of October 1, 2004) to isolate 239 borrowers who were potentially ineligible for having received prior debt forgiveness. Our review of six potentially ineligible borrowers revealed that three were, in fact, ineligible and should not have received FLP loans. FSA subsequently reviewed all 239 borrowers and confirmed that 98 (41 percent) of the borrowers were ineligible and should not have received 127 loans, totaling \$9,053,004, issued

from 1999 through 2004. In general, we determined that the unauthorized assistance occurred because FLP loan officials did not follow established procedures for determining applicants' eligibility and FSA's automated management tools lacked applicants' complete debt history.

In response to the audit, FSA again reviewed these 127 loans and determined that 14 loans totaling \$1,511,860 were eligible. The agency then began to collect the remaining 113 ineligible loans totaling \$7,541,144. Further, FSA issued guidance to help employees determine whether applicants have received prior FLP debt forgiveness and is developing a new automated system that will automatically display applicants' complete debt histories. The system is scheduled for completion in the summer of 2006. (Audit Report No. 03016-2-Te, FSA Debt Forgiveness Restrictions on Borrower Eligibility for FLP)

FSA's Controls Over Disaster Payments Need Strengthening

FSA issued approximately \$2.5 billion nationwide in 2001 and 2002 Crop Disaster Program (CDP) payments. To the extent practicable, CDP payments are based on the producers' calculated crop insurance production losses. We reviewed approximately \$1.8 million of those payments in three Texas counties and identified improper CDP payments totaling \$261,767 and related improper Noninsured Crop Disaster Assistance Program payments totaling \$116,938.

Generally, the improper payments were made to producers with crop insurance that was based on group risk (rather than verified losses per individual producer) and to producers who, under production contracts with vendors, did not have title to the crops. The improper payments were attributed to FSA county office employees' lack of training on procedures for CDP applications that require special handling, e.g., applications for producers with group risk crop insurance, etc. Further, we found FSA's CDP quality control review process was neither functioning as designed nor adequate to detect the processing errors identified by the audit.

FSA agreed to improve its CDP review process by completing all required reviews on time, providing appropriate training for reviewers, and expanding the universe for second-party reviews. FSA also agreed to

have FSA State office personnel better train county office employees to (1) identify and process applications that require special handling and (2) review production contracts. FSA addressed some of the concerns in training and procedures for the 2003/2004/2005 CDP. FSA also agreed to improve controls for future disaster programs and began to correct the identified improper payments. (Audit Report No. 50601-9-Te, Disaster Assistance Payments for Crop Years 2001 and 2002)

Michigan Producer Sentenced to Jail for Illegal Commodity Sale

An FSA borrower in Michigan pled guilty for illegally selling approximately 44,000 bushels of corn and soybeans that had been pledged as loan security. In December 2005, a Federal district judge in Bay City, Michigan, sentenced the individual to 5 months in prison, 5 months of home confinement, and approximately \$199,000 in restitution. During 2004, the borrower pled guilty to State forgery charges stemming from a similar commodity conversion in which he had defrauded a private lender of approximately \$30,000.

Iowa Family Sentenced in \$3.3 Million Fraud

As reported for the first half of FY 2005, a husband, his wife, and their son pled guilty to various counts of fraud and false statements related to their attempts to obtain \$3.3 million in fraudulent program payments and crop insurance. In November 2005, the husband was sentenced to 20 months in Federal prison, followed by 36 months of supervised release, and was ordered to pay \$2.3 million in restitution. His wife was sentenced in September 2005 to 3 months of home confinement and 6 months of probation, and was ordered to pay \$93,000 in restitution. Their son was sentenced in November 2005 to 5 years of probation and was ordered to pay \$116,000 in restitution. The husband and wife were barred for life from participating in any USDA farm-related subsidy or crop insurance program, and the son was barred until November 2010. Two others involved in the scheme were placed on pre-trial diversion and ordered to pay \$212,812 in restitution.

Oklahoma Couple Sentenced for Conversion of Collateral on FSA Loans

An Oklahoma couple was charged in June 2005 with conspiracy, conversion of collateral, forfeiture, and bankruptcy fraud in connection with their scheme to defraud FSA of mortgaged property totaling \$90,884. The subjects, from March 2002 through October 2003, sold cattle mortgaged to FSA without authorization and without disbursing the payments to FSA. The cattle were secured by lien to FSA as collateral for \$171,900 in outstanding FSA loans. In June 2005, the subjects were arrested by OIG agents, and, as part of the criminal forfeiture action, OIG agents filed liens on four pieces of property purchased with the converted funds. In September 2005, both subjects were convicted by jury trial. In March 2006, the subjects were each sentenced to 27 months of incarceration, to be followed by 2 years of supervised release, and were ordered to pay joint restitution of \$115,000. One subject was also fined \$5,000.

Arkansas Farmer Converts Crop Proceeds

In February 2006, an Arkansas farmer was sentenced to serve 6 months of home confinement and 36 months of probation, and was ordered to pay \$101,044 in restitution after pleading guilty to conversion of mortgaged property. From November 2002 to December 2003, the farmer sold approximately 28,319 bushels of FSA-mortgaged soybeans for \$158,252 without FSA approval. In March 2004, the farmer also sold 19 pieces of mortgaged farm equipment for \$19,151 without FSA consent. The proceeds of the sales were not used to make payments on his two FSA operating loans totaling \$130,870. The farmer used the majority of the proceeds to purchase a wedding ring, vehicles, and a trip to Cozumel, Mexico, as well as pay off other debts and invest in real estate.

Four Cotton Producers in California Did Not Meet Program Eligibility Requirements

In California, two insurance providers made payments to four cotton producers who claimed that they were prevented from planting due to failure of the irrigation water supply.

The insurance providers did not verify, as required, whether the cause of loss was general in the area and whether it prevented other producers with similar circumstances from planting. As a result, the four producers were improperly paid \$96,489 in prevented planting indemnities. An official from the Risk Management Agency (RMA) regional office stated that there was no lack of irrigation water in California during 2003 and agreed with our analysis. RMA generally agreed with our findings and will notify OIG of the results of their review and actions taken. (Audit Report No. 05099-11-SE, Prevented Planting Payments for Cotton Due to Failure of the Irrigation Water Supply in California and Arizona – Crop Year 2003)

Sentencings Completed in \$13 Million North Carolina Crop Insurance Fraud Case

As reported last period, an extensive 3-year investigation revealed that the owners of a North Carolina corporation received more than \$9.28 million in crop insurance payments and attempted to obtain an additional \$3.8 million, based on an elaborate scheme of providing false documents to insurance companies reinsured by RMA. As of December 2005, all subjects in this investigation were sentenced. Sentences ranged from 8 to 76 months of imprisonment, while forfeiture and restitution totaled \$7.3 million and \$9.15 million, respectively. Throughout 2003 and 2004, eight individuals pled guilty to a variety of charges involving a complex conspiracy to defraud the Federal Crop Insurance Corporation (FCIC) and several private insurance companies of more than \$13 million from 1997 to 2001.

Former Michigan Legislative Assistant Arrested in Africa

A former legislative assistant to a U.S. Congressman from Michigan was arrested in Accra, Ghana, after fleeing to avoid sentencing in an OIG embezzlement investigation. As reported for the first half of FY 2005, the former staffer was convicted of nine counts of fraud for stealing approximately \$40,000 in USDA and bank funds through his operation of a national farmer's organization. He faces charges of failure to appear at sentencing and passport fraud. This investigation was conducted jointly with the FBI.

Executive Director of Jazz Society Sentenced for \$323,000 Loan Fraud

In 2001, the President and Executive Director of a Montana jazz society provided false information to RD and two banks to obtain loans of \$323,000 to purchase and renovate a historic building. She manufactured purchase orders and sales invoices, forged signatures, and retained most of the funds for her personal use. After being indicted in May 2005 on five counts of making false statements and mail fraud, she pled guilty in September 2005. In February 2006, she was sentenced to serve 71 months in Federal prison and to pay restitution of \$108,558. At the time of this fraud, the subject was on State probation for theft, forgery, deceptive practices, and issuing bad checks. As a result of the Federal charges, her State probation was revoked and she is now serving 25 years in State prison. The Federal sentence will follow her State sentence.

Executive Director, Two Employees of Non-Profit Sentenced for Embezzlement

In August and December 2005, the executive director and two employees of a Mississippi non-profit organization pled guilty to embezzling \$83,349 in Self-Help Housing Grant Funds and Rural Housing Service (RHS) Loans obtained through Rural Development (RD). After the non-profit organization received \$244,000 in grant funds in September 1998, the executive director and the two employees fraudulently issued additional paychecks to themselves and forged the signatures of contractors on checks and cashed them in a double-billing scheme. All the employees pled guilty to embezzlement and received sentences that ranged from 6 months of incarceration with 36 months of supervised release, to 36 months of probation. Restitution totaled \$89,348.

GOVERNMENTWIDE ACTIVITIES – GOAL 2

Review of Legislation, Regulations, Directives, and Memoranda

- OIG staff reviewed FNS' proposed rule entitled "Nutrition Services Incentive Program and Charitable Institutions," which is part of the agency's management of donated commodities in the Child Nutrition Programs. This proposed rule was generated in response to OIG audit work that found that some school food authorities were not receiving the value of all donated foods provided to food service management companies that manage meal programs for the schools. OIG generally concurred with the requirements as proposed but identified two points that needed to be clarified in the regulations. Although FNS clearly explained the intent of the proposed rule in the preamble to the proposed rule, the regulations needed to specify the terms and process for crediting the value of donated foods to the recipient agency. First, the regulations should define the use of "pre-crediting" for donated foods, where the food service management company deducts the value of donated foods from the established fixed price per meal if provided for in its contract with the recipient agency. The regulations should also clearly state that the food service management company must provide an additional credit for the value of any donated foods not accounted for in the fixed price per meal. Second, the regulations should clearly state that the food service management company must credit the recipient agency for the value of the donated foods even though it may not use the foods in the recipient agency's meal service.

Participation on Committees, Working Groups, and Task Forces

- The Inspector General (IG) is a member of the President's Council on Integrity and Efficiency's (PCIE) Legislation Committee. In the past 6 months, the Legislation Committee dealt with several issues and topics of interest to the Federal OIG community, including the provisions of H.R. 2489, a bill that focuses on the authorities and operations of IGs, both as individual agency officials and as participants in an enhanced community-wide, Executive Branch council. The Legislation Committee also reviewed and opined on the status of the numerous bills introduced in the aftermath of Hurricane Katrina that would either affect IG authorities or create OIGs with jurisdiction for Federal hurricane relief operations.
- OIG staff members have been participating on the PCIE's Homeland Security Roundtable. IG representatives from all of the Federal agencies involved in hurricane relief have been working to ensure that: (1) agency internal controls are in place to prevent fraud, waste, and abuse; (2) IG investigative activities are coordinated with the Department of Justice's (DOJ) Hurricane Katrina Task Force; (3) agency stewardship plans for hurricane relief activities are in place and operating as intended; and (4) the IG community is executing its hurricane relief oversight efforts in a coordinated fashion so that its resources are utilized as efficiently and effectively as possible. The IG and Assistant Inspector General for Investigations participated in a meeting in New Orleans, Louisiana, with the Department of Justice (DOJ) and other principal investigative entities as DOJ formed the Hurricane Katrina Task Force.

ONGOING AND PLANNED REVIEWS FOR GOAL 2

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

Hurricane Relief Initiatives:

- barge movement and transportation differential agreements (Commodity Credit Corporation (CCC)),
- emergency and alternative grain storage (FSA and CCC),
- Emergency Watershed Protection Program, Dead Animal Debris Disposal Project, and Emergency Conservation Program (Natural Resources Conservation Service (NRCS) and FSA),
- accountability of assistance for single and multi-family housing (RHS),
- FNS Disaster Food Stamp Program,
- 2005 Hurricane Disaster Programs created with funds under Section 32 of the Act of August 1935, including the Hurricane (crop), Tree, Feed, and Livestock Indemnity Programs and Aquaculture Grants (FSA), and
- Emergency Forestry Conservation Reserve Program (FSA),

Other Goal 2 Work:

- continued monitoring of Electronic Benefits Transfer implementation (FNS),
- the Summer Food Service Program (FNS),
- WIC Program accountability and vendor monitoring (FNS),
- WIC Program in Puerto Rico (FNS),
- Food Stamp Employment and Training Program (FNS),
- review of the Child Nutrition Labeling Program (FNS),
- implementation of the Tobacco Transition Payment (Tobacco Buyout) Program (FSA),
- programmatic treatment of crop base on land included in conservation easements (FSA and Natural Resources Conservation Service (NRCS)),

- Direct and Countercyclical Program payment (FSA),
- Conservation Reserve Program (FSA),
- interest assistance on guaranteed farm loans (FSA),
- review of adjusted gross income limitation (FSA and NRCS),
- zero acreage reporting abuse (RMA),
- Asian soybean rust (RMA),
- Florida Hurricane Disaster Program crop insurance requirements (RMA),
- RMA implementation of \$500,000 claim decision process,
- group-risk crop insurance and group-risk income protection (RMA),
- adjusted gross income limitation (FSA and NRCS),
- community facilities (RHS),
- Rural Rental Housing (RRH) Program, Loan Prepayment and Restrictive Use Agreements (RHS),
- RRH project maintenance and reserve account funding – Florida (RHS),
- Single-Family Housing (SFH) Direct Loan Program origination practices (RHS),
- evaluation of SFH borrower income verification – Florida (RHS),
- rental housing construction costs (RHS),
- Multi-Family Housing Program – select project (RHS), and
- RBS Intermediary Re-Lending Program.

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

Management of Public Resources

OIG Strategic Goal 3:

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

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

In first half of FY 2006, we devoted 44.9 percent of our total audit and investigative resources to Goal 3. Further, 96.2 percent of the time we spent directly on Goal 3 was assigned to critical/high-impact work. A total of 97.1 percent of our audit recommendations under Goal 3 resulted in

management decision within 1 year, and 84.2 percent of our investigative cases had criminal, civil, or administrative action taken. OIG issued 22 audit reports under Goal 3 during this reporting period. OIG investigations under Goal 3 yielded 30 indictments, 16 convictions, and about \$23.6 million in monetary results during the reporting period.

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 3

GIPSA's Management and Oversight of P&SP Need Improvement

In response to an April 2005 Congressional request, we evaluated the Grain Inspection, Packers and Stockyards Administration's (GIPSA) management and oversight of the Packers and Stockyards Programs (P&SP). Of particular concern was the possible overstatement of the number of investigations that were conducted by the agency's competition division as reported in GIPSA annual reports. We found that P&SP's tracking system counted all P&SP activities as "investigations" because there was no policy to better define its activities. The activities that P&SP's tracking system counted as investigations included monitoring publicly available data, sending routine letters to request company-specific information, and performing onsite reviews of companies.

Management Challenges Addressed Under Goal 3

- Interagency Communications, Coordination, and Program Integration Need Improvement (also under Goals 1 and 2)
- Implementation of Strong, Integrated Management Control (Internal Control) Systems Still Needed (also under Goal 2)
- Continuing Improvements Needed in IT Security (also under Goal 1)
- Reducing Improper Payments Continues To Be a Priority of Congress and the Administration

We identified three material weaknesses that had not been disclosed in the agency's annual Federal Managers Financial Integrity Act report. P&SP had difficulties: (1) defining and tracking investigations, (2) planning and conducting competition and complex investigations, and (3) making agency policy. As a result, P&SP's tracking system could not be relied on, competition and complex investigations were not being performed, and timely action was not being taken on issues that impact day-to-day activities.

Despite prior recommendations, P&SP did not (1) effectively integrate economists into the investigations, (2) empower the agency's legal specialist to consult with USDA's Office of the General Counsel (OGC), (3) hire a manager with experience in leading P&SP investigations, and (4) develop a teamwork approach for investigations with P&SP's economists and OGC's attorneys.

GIPSA agreed to define investigations by differentiating between performing onsite reviews and obtaining publicly available data; record and validate data in the tracking system; timely identify the work to be performed, prepare and approve work plans, perform the fieldwork and analysis, and report on the results; promptly receive, review, and act on policy issues and guidance; and perform internal reviews to monitor and report on agency activities. (Audit Report No. 30601-1-Hy, Oversight of P&SP)

Minority Farmers' Participation in FSA Loan Programs Has Increased, but Improvements Are Still Needed

In reviewing USDA's ongoing efforts to improve its relationship with minority farmers and ranchers, we revisited our 1997 report on FSA's Farm Loan Programs. We found that (1) complaints decreased from 474 in 1997 to 113 as of January 2005, (2) the number of days to process a minority loan application from receipt to loan closing was reduced from 92 days (80 days for non-minorities) to 65 days (55 days for non-minorities), and (3) delinquent minority borrowers decreased from 1,371 (9,323 for non-minorities) to 115 (343 for non-minorities). Also, County Office Committee elections nationwide showed an 82 percent increase in minority membership from 191 (2.4 percent) of 8,148 members in 1997 to 348 (4.4 percent) of 7,872 members in 2004.

However, USDA's Office of Civil Rights (CR) has not conducted compliance reviews of FSA programs in more than 5 years to determine whether the agency's practices comply with civil rights statutes. In addition, because FSA has largely focused on nationwide initiatives, local outreach activities vary markedly from county to county, resulting in dissimilar levels of service.

USDA agreed to direct CR to resume conducting compliance reviews. FSA should authorize the National Office Outreach staff to oversee and direct State and county offices' outreach activities and establish a nationwide strategy for the coordination of outreach activities at the Federal, State, and local levels. FSA and CR agreed to take corrective action on five of the report's seven recommendations, and we are working to resolve two recommendations concerning outreach efforts. (Audit Report No. 03601-11-At, Minority Participation in FSA Programs)

Relief Determinations Not Properly Tracked and Analyzed To Prevent Errors

The "finality rule" and "equitable relief" allow the forgiveness of repayment in those cases when a farm program participant acted in good faith but FSA or the producer erred to cause an overpayment. Our review of the States' manual equitable relief reports submitted to the national office for calendar year 2003 and our detailed review of equitable relief determinations in three States found that the \$694,629 of approved equitable relief reported to Congress for that year was understated by at least \$1,894,254. Further, FSA did not analyze its equitable relief and finality rule cases to identify weaknesses in program delivery—neither the national office nor the three State offices reviewed had analyzed the more than \$2.7 million of approved 2003 requests identified during the audit. FSA agreed to implement an automated system to track finality rule and equitable relief determinations, analyze the information, and share the information with FSA's Financial Management Division for purposes of reporting on improper payments under the Improper Payments Information Act of 2002 (IPIA). (Audit Report No. 03601-44-Te, Tracking Finality Rule and Equitable Relief Decisions)

Controls for Monitoring Foreign Food Aid Agreements Need Strengthening

FAS administers food aid programs worldwide, largely through grants to intermediaries known as private voluntary organizations (PVO). In March 1999, we issued a report recommending that FAS strengthen its monitoring controls over PVOs operating the Food for Progress grants. In our current effort, we evaluated FAS' actions to address management control weaknesses identified in our earlier report. Our overall objective was to determine whether FAS' management controls are sufficient to ensure that PVOs use program funds for allowable purposes. Although six of the eight PVOs reviewed generally complied with their agreements, we found that FAS had not implemented many of the corrective actions it agreed to in response to OIG's earlier report. In general, we found that FAS' controls for monitoring PVOs were inadequate, thereby reducing its assurance that the PVOs were effectively meeting the program objectives. Due to these weaknesses, one PVO was not held accountable for violations of its grant agreements, leading to the loss of \$2.2 million in grant funds, and did not fully accomplish the objectives of its food aid programs in Angola and the Ivory Coast. FAS did not pursue grant funds lost through PVO mismanagement or identified in reviews of PVOs' past performance before approving new grants. FAS also lacked procedures for confirming that PVOs were recognized by their host governments or that PVOs had established bank accounts in-country to deposit program income and make disbursements.

We recommended that FAS implement management controls that it had earlier agreed to implement—review semiannual reports, conduct onsite reviews, and complete closeout reviews of all food aid agreements. FAS also agreed to confirm that PVOs have received the recognition of their host government before agreements are finalized, aggressively seek recovery of grant funds lost due to PVO mismanagement, and review PVOs' past performance before approving new food aid agreements. (Audit Report No. 07016-1-At, PVO Grant Fund Accountability)

RMA Needs Written Procedures for New Crop Insurance Products Submitted by Private Companies

RMA supervises the Federal Crop Insurance Corporation (FCIC), which is a wholly owned Government corporation that offers subsidized, multi-peril crop insurance through a private delivery system by means of reinsured companies. These are private insurance companies that perform the insurance marketing, distribution, servicing, training, quality control, and loss adjustment functions in return for a percentage reimbursement of the premiums and a share of annual marketing gains.

Section 508(h) of the Food, Agriculture, Conservation, and Trade Act of 1990 allows private companies to submit new crop insurance products (e.g., insurance to cover new crops that have not previously been covered or products that switch from multi-peril crop insurance to group risk) to RMA for approval and reinsurance. The Agricultural Risk Protection Act of 2000 (ARPA) authorized the reimbursement of research, development, and maintenance costs of these privately developed products. The overall objective for our review was to evaluate the adequacy of controls over the submission, approval, and reimbursements process over section 508(h) products, as well as the procedures used to monitor and review the implementation of these products. For crop year 2004, seven products approved through the section 508(h) process had indemnities of \$1,128,924,176 with premiums of \$1,486,664,651. Our review found that formal policies and procedures have not been established for monitoring and reviewing the performance of such products. In response to our recommendations and after our report was issued, RMA implemented standardized procedures for monitoring and reviewing the new products, including timeframes for performing contract reviews where necessary, and established guidelines for annual evaluations performed by private companies, if required in the product's memorandum of agreement. (Audit Report No. 05601-13-Te, New Crop Products Submitted by Private Companies)

FS Needs To Build on Its Partnership Program's Success

To carry out its mission, FS partners with a variety of non-Federal organizations and other private entities in joint activities in forests, such as conservation efforts, building trails, etc. As of August 2004, the agency was involved in 4,500 active partnerships, to which it had contributed \$256 million and its partners \$211 million. In our review of FS' administration of the partnership program, we found that the agency has taken significant strides to improve its partnership activities. These efforts include creating a National Partnership Office to guide the agency's partnership work and developing a "partnership framework" document, which sets forth the mission of the program. Nonetheless, many opportunities remain for FS to build on this progress.

Specifically, FS had not prioritized strategic planning and reporting requirements for the program. Three regions had not developed a strategic plan for their programs, and, of the six regions that had, only one included measurable goals. Further, only three regions had full-time coordinators to ensure that plans were carried out. For performance reporting, FS' database (INFRA) for storing information about partnership agreements cannot track overall partnership accomplishments and cost benefits, and contains errors and omissions.

Our audit also disclosed that FS should improve oversight of partnerships. We found that three FS employees were serving in their official capacity on the boards or steering committees of FS partners. In addition, FS did not ensure that the partnership agreements contained a complete and supported financial plan. We determined that 40 of the 177 partnership agreements reviewed did not contain a financial plan and another 47 did not fully document costs, jeopardizing proper funding and adequate partner contributions. Finally, although the National Forest Foundation (NFF) has received more than \$10 million from FS since 1998, FS did not timely account for funds it provided to the organization. For 3 consecutive years, NFF failed to meet the matching requirement for appropriations, but FS continued to fund it. As a result, NFF accumulated almost \$2.6 million that it was unable to spend on the approved projects on time.

FS agreed to (1) require all regions to develop strategic plans with measurable goals, (2) assess the need for full-time regional coordinators, (3) update INFRA to track accomplishments and cost benefits, and (4) ensure that INFRA data is accurate and timely. FS also agreed to implement a standardized review process to detect any ethical concerns before agreement approval and clarify guidance for FS staff on the preparation and approval of partnership agreements, as well as follow up on appropriations to NFF. (Audit Report No. 08601-41-SF, FS Collaborative Ventures and Partnerships with Non-Federal Entities)

Arrests Continue To Climb in Operation Talon

OIG began Operation Talon in early 1997 to locate and apprehend fugitives, many of them violent offenders, who are current or former food stamp recipients. As of March 31, 2006, Operation Talon had resulted in 10,058 arrests of fugitive felons during joint OIG-State and local law enforcement operations.

During this reporting period, OIG agents from Indianapolis conducted a Talon operation with the Indianapolis Metropolitan Gang Safe Streets Task Force and arrested 39 fugitives in Marion County, Indiana. These fugitives were wanted for carjacking, voluntary manslaughter, and assorted drug charges. Also during this reporting period, OIG agents in Nashville, Tennessee, conducted a joint Talon operation with the Montgomery County Sheriff's Department and Clarksville Police Department. As a result of this operation, 10 fugitives were arrested, one of whom was wanted in Baltimore, Maryland, for murder of a rival gang member.

FS Employees Prosecuted for Embezzlement

Three FS employees and a co-conspirator (an unpaid FS volunteer) submitted false claims of approximately \$60,000 for local travel reimbursements between 1999 and 2002. Two of the subjects, who were authorized through the Purchase Card Management System (PCMS) to write convenience checks drawn on FS accounts, wrote checks to each other and to a third subject, based on fraudulent claims for reimbursement for travel expenses with falsified signatures of supervisors. In addition, one subject used

the PCMS account to purchase cell phones and pagers for USDA security guards and various FS employees, which was not authorized. Three subjects were charged in the Eastern District of Virginia, pled guilty to theft of Government property, and resigned. One subject was charged in District of Columbia Superior Court with theft. Three of the subjects were sentenced from July 2005 to January 2006. Sentencing ranged from 24 months of supervised probation to 3 months of imprisonment, with total restitution of \$62,524 and fines of \$3,620. Sentencing for the remaining subject is pending.

FS Firefighter Pleads Guilty to Setting Wildland Fires

Sentencing is pending for an FS firefighter after a February 2006 guilty plea to three counts of setting wildland fires on the Los Padres National Forest in California. The firefighter intentionally set three fires in July, August, and September 2004 that burned 800 acres and cost \$2.5 million in fire suppression costs.

Former National Finance Center (NFC) Manager Sentenced for False Claims

In June 2005, a former supervisory program analyst pled guilty to making and presenting false and fraudulent claims against the Government. From January 2000 through December 2002, the NFC employee submitted 18 fraudulent travel vouchers totaling \$25,037 in connection with official trips to Washington, D.C. In November 2005, the former NFC employee was sentenced to 36 months of probation, fined \$5,100, and ordered to pay \$14,218 in restitution.

IT Security Controls at NFC Improve, but Additional Actions Are Necessary

While we noted that OCFO/NFC has taken significant corrective actions during the fiscal year, a qualified opinion on its IT security controls was issued due to ongoing problems regarding improper access controls, unfinished background investigations for individuals with access to critical applications, and inadequate test documentation for

software change requests. OCFO/NFC officials stated that they believed compensating controls had been implemented to mitigate the reported weaknesses. However, because of the dislocation of personnel and systems in the aftermath of Hurricane Katrina, we were unable to fully evaluate and offer an opinion on the effectiveness of those compensating controls. The general control environment, including any identified compensating controls at OCFO/NFC, will be audited during FY 2006. (Audit Report No. 11401-22-FM, Review of OCFO/NFC General Controls for FY 2005)

USDA's IT Security Program Continues To Improve

Although the agencies accelerated their efforts to comply with Federal information security requirements during the fiscal year, IT management and security remain a material weakness within the Department. The Department stated that, since October 2005, it has made progress in information security as highlighted by the significant improvements in the Cyber Security scorecard, which tracks agency progress on the areas required under the Federal Information Security Management Act of 2002 (FISMA). Specifically, the Department issued revised certification and accreditation (C&A) guidance in October 2005 to ensure that documentation meets Federal requirements. The Department's incident handling policy has been recognized by the U.S. Computer Emergency Readiness Team as a good process that ensures incidents are handled timely. Information security training was demonstrated in two venues: (1) approximately 150 employees throughout USDA attended the November 2005 IT Summit, and (2) an estimated 3,500 USDA employees took the Computer Security Awareness Training course that was updated in January 2006. Finally, USDA's Cyber Security Office has completed action on 50 percent of the audit recommendations and will complete the remaining items by the end of the fiscal year. Although the Department reported improvements in its overall Security Program, OIG has not independently verified or tested these improvements. The recommendations we made to correct the deficiencies identified in this evaluation have been documented in other agency reports, and we made no additional recommendations. (Audit Report No. 50501-5-FM, FY 2005 FISMA Report)

USDA's System Accreditations Lack Reliable Documentation and Testing

Our audit found that (1) USDA agencies had not followed National Institute of Standards and Technology (NIST) and departmental regulations when preparing system documentation during Phase I of its IT security C&A efforts, (2) risk ratings were inconsistent with Federal standards, (3) independent testing and evaluation processes did not ensure that controls were in place and operating effectively, and (4) oversight and monitoring of the C&A process could be improved significantly.

The Office of the Chief Information Officer (OCIO) agreed to (1) require the agencies to reevaluate the accreditation decision and the documentation, and ensure that the accreditation is fully supported, (2) establish processes and controls to ensure that agencies establish the proper risk ratings, (3) establish a policy to require that all agencies ensure that the security testing and evaluation process enables the accrediting official to render an informed decision, and (4) establish controls to periodically evaluate the accuracy of agency information. The Department has initiated a concurrent review process within OCIO to ensure that complete and accurate documentation exists before final accreditation. OCIO believes that this process will ensure compliance with all Federal requirements and that sufficient testing is being accomplished. It should be noted that OIG has not tested this process. The Department has completed five of the nine recommendations with the remainder scheduled to be completed by September 2006. (Audit Report No. 50501-4-FM, Review of USDA'S C&A Efforts)

Stronger Security Controls Needed for SCAs' IT Resources

The IT convergence process was the consolidation of the network infrastructures and computing environments of FSA, NRCS, and RD, collectively referred to as the Service Center Agencies (SCAs). Convergence would allow the SCAs to share data among themselves and their customers, streamline business processes, and provide the infrastructure needed to ensure that customers can conduct business electronically with the SCAs. The convergence process

shifted the management and security responsibilities of the network operating environment from those individual SCAs to the Department OCIO's Information Technology Services (ITS).

We found that ITS had begun or planned to implement controls over the following weaknesses: (1) OCIO had certified and accredited the two systems we reviewed despite missing, inaccurate, or incomplete C&A documentation; (2) ITS had not finalized its operating procedures; (3) ITS' written agreements were too overarching to hold either ITS or the SCAs accountable for security; (4) ITS had not accurately inventoried computer equipment on the common computing environment (CCE) network; (5) ITS had not begun periodic scanning of the CCE network though SCAs had ceased doing so; (6) ITS was not prepared to take over controlling access to the CCE at the time of convergence and allowed the SCAs to continue with their current policies, which were inconsistent and did not provide effective security; and (7) ITS had not implemented adequate physical and environmental controls over much of USDA's sensitive computer equipment.

ITS agreed to establish policies and procedures, including controls to ensure that (1) supportable C&A documentation is prepared, as prescribed; (2) documentation is clear and consistent for all activities and functions it has assumed; (3) a current inventory for the CCE network is maintained; (4) system vulnerabilities are timely identified and mitigated; (5) employee access adheres to the concept of least privilege (i.e., restricting access to only what is necessary for the employee's job); and (6) agreements are negotiated, reviewed periodically, and updated as necessary with each SCA. (Audit Report No. 50501-3-FM, OCIO Management and Security Over IT Convergence – CCE)

As a Major Focus of PMA, USDA Implementation of IPIA Must Be Improved

OIG identified the implementation of the Improper Payments Information Act of 2002 (IPIA)—a priority of Congress and major focus of the President's Management Agenda (PMA)—as one of six management challenges confronting USDA. In FY 2005, we reviewed five agencies' implementation of OCFO's strengthened guidance and identified improvements, but concluded that they had not

fully implemented the guidance. Because the individual agencies had not established controls over the risk assessment process to ensure adherence to the instructions, the five could not support their conclusions that the nine programs we reviewed were at low risk for improper payments. Management's attention and commitment to this critical area needs to be stronger. Although USDA added five new programs as high risk in FY 2005, only two of them were supported by risk assessments (the remaining three were based on the judgment of agency officials). The Chief Financial Officer agreed to meet with the Under and Assistant Secretaries to emphasize the necessity to oversee the proper and timely implementation of IPIA. (Audit Report Nos. 09601-1-Ch, 03601-13-Ch, 04601-11-Ch, 13601-1-Ch, 34601-4-Ch, and 50601-0010-Ch; respectively, Rural Utility Service's, FSA's, RHS', CSREES', RBS', and USDA's Progress To Implement IPIA)

USDA FY 2005/2004 Consolidated Financial Statements – Unqualified Opinion

Improvements Still Needed in Financial Management Systems and Quality Control

The USDA consolidated financial statements for FY 2005/2004 received an unqualified opinion for a fourth year. In our report on internal controls over financial reporting, we identified three reportable conditions, of which two rose to the level of material weaknesses: improvements needed in overall financial management across USDA (abnormal balances, deficiencies in credit reform processes) and improvements needed in IT security and controls (problems with C&A, weaknesses in CCE management security). The third reportable item related to certain financial management practices and processes that require improvement (general ledger adjustments and unliquidated obligations). We also reported two instances of noncompliance relating to the Federal Financial Management Improvement Act of 1996 (FFMIA) and the Anti-Deficiency Act. The Office of the Chief Financial Officer (OCFO) has immediate and long-term plans to address most of the weaknesses in its financial management systems. The key recommendations were limited to additional improvements in financial management. OCFO generally agreed with the findings and recommendations.

The stand-alone agencies of FCIC, CCC, Rural Telephone Bank (RTB), FNS, and RD also received unqualified opinions on their individual financial statements. On November 15, 2005, FS received a qualified opinion on its financial statements because it was unable to timely provide sufficient evidence to support certain line items within the 2005 consolidated statement of financing. After providing additional documentation, on December 21, 2005, FS received an unqualified audit opinion. (Audit Report Nos. 50401-56-FM, 05401-14-FM, 06401-20-FM, 08401-5-FM, 15401-6-FM, 27401-1-FM, and 85401-12-FM; respectively, USDA's, FCIC's, CCC's, FS', RTB's, FNS', and RD's Financial Statements for FY 2005/2004)

GOVERNMENT-WIDE ACTIVITIES – GOAL 3

Review of Legislation, Regulations, Directives, and Memoranda

- OIG staff, in an advisory capacity to the Office of the Under Secretary for Research, Education and Economics, reviewed and provided comments on the draft Secretary's Memorandum establishing Department-wide research misconduct policies and procedures in accordance with guidelines from the Office of Science and Technology Policy (OSTP). This review was prompted by the Department's response to Audit Report No. 50099-11-Hy, Implementation of Federal Research Misconduct Policy in USDA. Based on OIG's feedback, the draft policies and procedures include a provision that all research misconduct allegations must first be reported to the Assistant Inspector General for Investigations for a determination of possible criminal activity. Also, OIG's hotline unit will be incorporated into the process and used by the public to refer research misconduct allegations. A final Secretary's Memorandum is scheduled to be issued by June 30, 2006.
- At the request of the Natural Resources Conservation Service (NRCS) National Office, Easement Programs Division, OIG staff reviewed the agency's draft appraisal policies and procedures to ensure that those guidelines were in accordance with Federal appraisal standards. Although NRCS has spent more than \$1 billion since 1995 acquiring Wetlands Reserve Program (WRP) easements and has processed more than 7,000 appraisal reports, controls were not adequate to ensure that its easement valuation process operated effectively, efficiently, and in compliance with applicable laws and regulations. OIG recommended that NRCS modify its appraisal procedures to be consistent with Federal standards and improve the accuracy and reliability of its WRP easement valuations by developing a technical appraisal review process to be completed by qualified Federal review appraisers. OIG found that the draft appraisal policies and procedures generally addressed OIG's concerns and appeared to be consistent with Federal standards, and OIG provided informal comments to NRCS program staff to that effect.
- Before issuing revised policy and procedures for the Federal crop insurance ratemaking process that OIG had recommended in an earlier report, RMA requested

that OIG review the draft document formalizing this process. OIG staff provided written comments to RMA, generally agreeing with the proposed changes.

- Over the past few years, RMA has been in the process of revising its procedures for conducting its new quality assurance system (the National Operations Review) over approved insurance providers. RMA requested OIG to provide comments on the preliminary guide for the National Operations Review. OIG staff has been meeting with and providing informal feedback to RMA. OIG suggested that RMA retain specific documentation to support its review, such as policies, crop reports, or loss claim forms with problems. OIG also suggested that, after the review, the agency support its work with a formal written document, rather than an informal note in the file. RMA has been generally receptive to OIG's recommendations.
- Starting in the fall of 2005, RMA requested OIG assistance in reviewing and commenting on its draft policies and procedures on full disclosure and conflict-of-interest guidelines for participants in the Federal crop insurance programs (approved insurance providers, agents, and loss adjusters). OIG staff provided comments on RMA's draft manager's notice on full disclosure. OIG also met on several occasions with RMA and Office of the General Counsel staff to discuss RMA's draft questionnaire involving disclosure of conflicts of interests by participants in the Federal crop insurance programs. OIG noted that the questions in the questionnaire were too broad and suggested that the questions be more specific as to the financial, business, or family relationships among the various parties. OIG also advised RMA that it should add a statement to the questionnaire that the person signing the questionnaire certified the accuracy of the information provided. Many of OIG's comments were incorporated into the draft questionnaire.
- In March 2006, USDA's Office of Civil Rights (CR) requested that OIG review and comment on a proposed rule published by the Office of Personnel Management (OPM) (see 71 Fed. Reg. 405355 (Jan. 25, 2006)), relating to reporting requirements under the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 (No FEAR Act), Pub. L. No. 107-174, 116 Stat. 566. OIG reviewed the proposed rule and forwarded comments to CR for incorporation into the Department's comments to OPM, as appropriate.

In the proposed rule, OPM expressed an intent to include unwritten actions (such as oral admonishments) as reportable disciplinary actions under the No FEAR Act. OIG expressed concerns with this proposed revision as the proposed rule did not provide a clear explanation of what the provision would cover and requested that OPM provide further guidance on the issue. Additionally, OIG recommended further clarification regarding certain provisions to avoid potential inconsistencies between the proposed rule, other OPM regulations, and the statutory provisions of the No FEAR Act.

- The Office of Management and Budget (OMB) requested a review of the Treasury Report on the 2005 Financial Report of the United States Government. The report reflects the financial results and position of the Federal Government and provides a comprehensive view of the Federal Government's finances. OIG reviewed the final draft of the Treasury Report on December 1, 2005, and generally concurred with the report as it pertains to USDA.
- OMB, GAO, and the Department of the Treasury have begun revising audit guidance that affects the FY 2006 financial and performance audit environment. OIG has submitted multiple sets of comments to these other Government entities. During the reporting period, OIG representatives have provided comments on USDA's efforts to implement OMB Circular A-123, Appendix A – Management's Responsibility for Internal Controls.

OIG auditors provided additional comments through the Financial Statement Audit Network on the Special Purpose Financial Statements requirements prescribed in the Treasury Financial Manual. Treasury is presently assessing the need to strengthen and clarify the audit requirements to further assist Government Accountability Office (GAO) in its effort to reconcile the individual Department financial statements to the Government-wide consolidated statements.

Participation on Committees, Working Groups, and Task Forces

- The IG is a member of the GAO Advisory Council on Government Auditing Standards. The Council provides advice and guidance to the Comptroller General on

Government auditing standards. Comments relating to quality assurance reviews, audit documentation, auditor responsibility, professional judgment, and competence were provided to the Advisory Council to assist in the revision process. The entire Yellow Book containing the Government Auditing Standards is being updated and revised to reflect the changes taking place in the private sector regarding accountability and responsibility.

- OIG is participating in an advisory capacity on FSA's Compliance Task Force. The task force is reviewing current compliance activities across division and agency lines, where applicable, and making recommendations for new processes. OIG provided members of the task force with guidance to detect noncompliance, including information on the relationships between inherent risk, internal controls, vulnerability, and testing. The task force has adopted guidelines suggested by OIG for a structured assessment of program vulnerabilities and for determining the needs for compliance spot checks. OIG has also provided input on ways to improve the efficiency and effectiveness of FSA's compliance activities.
- OIG representatives are participating in an advisory capacity on several USDA committees working to implement OMB Circular A-123, Appendix A, Internal Control over Financial Reporting Within USDA. These groups include USDA's Senior Management Control Council, Senior Assessment Team, and Assessment Implementation Team. During this semiannual reporting period, OIG representatives provided feedback on the scope, approach, and progress of USDA's efforts to implement OMB Circular A-123, Appendix A – Management's Responsibility for Internal Controls. Specific comments addressed agency compliance efforts with the Improper Payments Information Act of 2002.
- OIG auditors are participating in the Department's Credit Reform Task Force, which analyzes issues relating to accounting for lending activities and formulates policies as needed to ensure consistent treatment by all USDA lending agencies. During the 6-month period covered by this semiannual report, and under the umbrella of this Task Force, the Department tasked the lending agencies with forming Configuration Control Boards to oversee changes made to agency

cashflow models. These boards were established in response to recommendations in the Department's financial statement audit. Audit representatives serve as non-voting members of these boards and participate in the board meetings.

- **OIG auditors are participating in the Department's Improper Payment Information Act of 2002 (IPIA) working group.** Meetings are organized by OCFO's Credit, Travel, and Accounting Policy Division and held monthly. The working group discusses work plans and guidance to ensure timely implementation and completion of the IPIA initiatives. OIG representatives have spoken periodically at these meetings to address issues regarding transaction testing and to clarify documentation necessary to support agency risk assessments submitted to OCFO.
- **OIG staff members have been participating on the PCIE's Misconduct in Research Working Group.** Contacts were made with the chairperson of the working group to seek expert guidance on the best practices for a Department-wide research misconduct policy. Information was also exchanged with working group members about establishing a public awareness program on research misconduct, and preliminary discussions were held about various copying detection software programs. The working group continues tracking the Government-wide implementation of research misconduct policies and procedures in accordance with guidelines established by the Office of Science and Technology Policy.
- **The IG is a member of the PCIE's Audit Committee.** OIG has participated in the revision process of OMB's Bulletin 01-02 – Audit Requirements for Federal Financial Statements and Bulletin A-136 – Financial Reporting Requirements. OIG provided comments on special-purpose financial statements and proposed deadlines. Bulletin 01-02 had not been revised, but rather periodically amended over the past few years. Bulletin A-136 is being updated to reflect the financial reporting requirements and deadlines for the current fiscal year.
- **OIG staff members attended the October 2005 Invitational Grant Fraud Training** hosted by the National Science Foundation OIG. The purpose of this workshop was to raise awareness of grant fraud in

the OIG community through presentations describing current grant fraud cases and proactive opportunities for grant accountability.

Testimony Delivered

- *IG Phyllis K. Fong Testifies Before the House Appropriations Committee's Subcommittee on Agriculture, Rural Development, and Related Agencies, Regarding OIG's FY 2007 Budget Request.* On March 1, 2006, IG Fong and her senior management team presented testimony in support of OIG's FY 2007 budget request. The IG's testimony provided an overview of OIG's significant work over the prior 12 months and informed the Subcommittee of noteworthy audit and investigative efforts underway or planned for the remainder of 2006. In her testimony, Ms. Fong emphasized OIG's work regarding the Department's efforts to address BSE, OIG's plan of action to review the Department's response to the gulf coast hurricanes, and OIG's efforts to address emerging fraud in the WIC and Food Stamp Programs. The hearing also covered other OIG audits and investigations of interest to the Congress and the public, including preventing the transfer of sensitive technology, USDA's coordination with DHS on border inspection activities, the Department's Broadband programs, the compensation provided by NRCS for easements in the Wetlands Reserve Program, and the participation of OIG's National Computer Forensic Unit in 42 investigations in FY 2005. In the last 6 months of FY 2005, USDA agreed to implement 239 program improvements recommended by OIG.
- *IG Phyllis K. Fong Testifies before the Senate Committee on Agriculture, Nutrition, and Forestry, Regarding USDA's Management and Oversight of the Packers and Stockyards Act.* On March 9, 2006, IG Phyllis Fong testified on GIPSA's management and oversight of P&SP. In preparation for this hearing, OIG analyzed the Packers and Stockyards Act and Senator Harkin's recently proposed legislation "Competitive and Fair Agricultural Markets Act of 2006," regarding fair marketing in the livestock industry. The IG's testimony presented the major findings of OIG's January 2006 audit (see page 17). Ms. Fong credited the new GIPSA Administrator for the positive actions he is taking to address the audit's findings and recommendations.

ONGOING AND PLANNED REVIEWS FOR GOAL 3

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

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| <ul style="list-style-type: none"> ■ accountability over Newly Independent States Scientific Cooperation Programs (ARS), ■ Tribal Land Grant Institutions (CSREES), ■ oversight of Awarded Research Agreements (CSREES), ■ international trade policy and procedures (FAS), ■ Export Credit Guarantee Program (FAS), ■ trade adjustment assistance for farmers (FAS), ■ controls over recovery of advance countercyclical payments that exceed the final payments (FSA), ■ crop insurance payments for large-entity farming operations (RMA and FSA), ■ review of RMA contracting, ■ monitoring the financial conditions of RMA's reinsured companies, ■ RMA Compliance Office activities, ■ annual financial statement audit of the Department and stand-alone agencies for FY's 2006 And 2007 (OCFO), ■ OCFO FY 2005/2006 agreed-upon procedures: retirement, health, and life insurance, and headcount, ■ OCFO controls over final action on audit recommendations, ■ FNS application control review of the Store Tracking and Redemption Subsystem, ■ FY 2006 NFC general controls, ■ FISMA – FY 2006 (OCIO), ■ USDA's progress to implement IPIA regarding high-risk programs, | <ul style="list-style-type: none"> ■ ARS contract management, ■ NRCS contract administration, ■ review of acquisition planning and processing (Office of Procurement and Property Management (OPPM)), ■ application controls over processed commodity inventory systems (FSA), ■ management and security over USDA's Universal Telecommunication Network (OCIO), ■ National Information Technology Center FY 2006 general controls (OCIO), ■ Dedicated Loan Origination and Servicing (DLOS) System (RD), ■ ITS general controls review (OCIO), ■ USDA controls over Voyager Fleet Cards, ■ nationwide recapture of taxes paid (OPPM), ■ Capital Improvement Program (FS), ■ implementation of the Healthy Forests Initiative (FS), ■ FS large-fire suppression costs, ■ FS Research Grants and Agreements Program, ■ Fire incident obligation accounting (FS), ■ infrastructure management (FS), ■ FS Air Safety Program, ■ Forest Legacy Program appraisal process (FS), ■ RRH project maintenance inspection procedures (RHS), and ■ Green Company Development Group, Inc. (RHS). |
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The findings and recommendations from these efforts will be covered in future semiannual reports as the relevant audits and investigations are completed.

Gauging the Impact of the OIG

PROGRESS AGAINST THE OIG STRATEGIC PLAN

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

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

IMPACT OF OIG AUDIT AND INVESTIGATIVE WORK ON DEPARTMENT PROGRAMS

A second way we gauge our impact is by tracking the outcomes of our audits and investigations. Many of these measures are codified in the Inspector General Act of 1978, as amended. The following pages present a statistical overview of the OIG's accomplishments this period.

FOR AUDITS WE SHOW

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

FOR INVESTIGATIONS WE SHOW

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

PERFORMANCE RESULTS TOTALS UNDER OUR STRATEGIC GOALS

Performance Measures	FY 2005 Baseline	FY 2006 Target	FY 2006 1st Half Actual
Audit/Investigative resources dedicated to critical/high impact work	81%	90%	93.6%
Audit recommendations resulting in management decision within 1 year	78%	85%	87.4%
Investigative cases where criminal, civil, or administrative action is taken in response to OIG reports	61.6%	65%	76.4%

SUMMARY OF AUDIT ACTIVITIES

OCTOBER 2005-MARCH 2006

REPORTS ISSUED		47
AUDITS PERFORMED BY OIG		40
EVALUATIONS PERFORMED BY OIG		0
AUDITS PERFORMED UNDER THE SINGLE AUDIT ACT		0
AUDITS PERFORMED BY OTHERS		7
MANAGEMENT DECISIONS MADE		
NUMBER OF REPORTS		28
NUMBER OF RECOMMENDATIONS		214
TOTAL DOLLAR IMPACT (MILLIONS) OF MANAGEMENT-DECIDED REPORTS		\$185.7
QUESTIONED/UNSUPPORTED COSTS		\$25.9 ^{ab}
RECOMMENDED FOR RECOVERY	\$20.2	
NOT RECOMMENDED FOR RECOVERY	\$5.7	
FUNDS TO BE PUT TO BETTER USE		\$159.8

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

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

SUMMARY OF INVESTIGATIVE ACTIVITIES

OCTOBER 2005-MARCH 2006

Reports Issued		124
Cases Opened		163
Cases Closed		110
Cases Referred for Prosecution		38
IMPACT OF INVESTIGATIONS		
Indictments		133
Convictions		117 ^a
Searches		45
Arrests		250
TOTAL DOLLAR IMPACT (MILLIONS)		\$40.0
Recoveries/Collections	\$3.8 ^b	
Restitutions	\$25.9 ^c	
Fines	\$1.1 ^d	
Claims Established	\$9.0 ^e	
Cost Avoidance	\$0.2 ^f	
ADMINISTRATIVE SANCTIONS		86
Employees		21
Businesses/Persons		65

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

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

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

^d Fines are court-ordered penalties.

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

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

**INVENTORY OF AUDIT REPORTS
WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE**
FROM OCTOBER 1, 2005, THROUGH MARCH 31, 2006

		NUMBER	DOLLAR VALUE
A.	FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 2005	8	\$477,765,518
B.	WHICH WERE ISSUED DURING THE REPORTING PERIOD	2	\$8,881,373
	TOTALS	10	\$486,646,891
C.	FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THE REPORTING PERIOD	1	
	(1) DOLLAR VALUE OF DISALLOWED COSTS		\$159,838,448
	(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$0
D.	FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THE REPORTING PERIOD	9	\$326,808,443
	REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	7	\$317,927,070

**INVENTORY OF AUDIT REPORTS WITH
QUESTIONED COSTS AND LOANS**
FROM OCTOBER 1, 2005, THROUGH MARCH 31, 2006

		DOLLAR VALUES		
		NUMBER	QUESTIONED COSTS AND LOANS	UNSUPPORTED ^a COSTS AND LOANS
A.	FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 2005	20	\$109,400,845	\$46,809,131
B.	WHICH WERE ISSUED DURING THIS REPORTING PERIOD	9	25,096,883	\$2,181,013
TOTALS		29	\$134,497,728	\$48,990,144
C.	FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THIS REPORTING PERIOD	7		
	(1) DOLLAR VALUE OF DISALLOWED COSTS			
	RECOMMENDED FOR RECOVERY		20,167,027	
	NOT RECOMMENDED FOR RECOVERY		\$5,735,636	
	(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$2,798,210	
D.	FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	22	\$106,385,047	\$48,990,144
	REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	19	\$109,338,549	\$46,809,131

^a Unsupported values are included in questioned values.

PROGRAM IMPROVEMENT RECOMMENDATIONS

A significant number of our audit recommendations carry no monetary value per se, but their impact can be immeasurable in terms of safety, security, and public health. They can also contribute considerably toward economy, efficiency, and effectiveness in USDA's programs and operations. During this reporting period, we issued 274 program improvement recommendations, and management agreed to implement a total of 198 program improvement recommendations that were issued this period or earlier. Examples of the program improvement recommendations issued this period include the following. (See the main text of this report for a summary of the audits that prompted these program improvement recommendations.)

- APHIS revised its testing protocols to require additional confirmatory procedures when inconclusive BSE test results occur; agreed to publish information to fully advise stakeholders of assumptions and procedures, limitations of data, and conclusions reached as a result of the BSE surveillance program; and agreed to perform additional outreach to emphasize the importance of accurately determining and recording the age of the target animals and to ensure laboratory personnel understand procedures.
- FSIS agreed to verify the adequacy of specified risk material control programs at all beef slaughter and processing establishments and confirm compliance with SRM control procedures through its Performance Based Inspection System.
- AMS agreed to: (1) maintain a list of specific, export-eligible products for each facility with an approved Beef Export Verification program; (2) systematically notify FSIS when any establishment is approved/delisted from a BEV program; and (3) work with establishments to ensure their processes and controls adhere to BEV program requirements.
- APHIS generally agreed with our recommendations on specific ways to improve inspections for select plant and animal biological agents and toxins and that it re-inspect registered entities to ensure compliance with security regulations, using formal written procedures to ensure that the inspections are consistent and thorough.
- For the employment program that will succeed the Special Wages Incentives Program in Puerto Rico, FNS agreed to require the Puerto Rican Department of the Family to clearly define the replacement program's objectives and establish oversight controls to ensure that the program's objectives are met and that the program operates successfully.
- FSA agreed to improve its Crop Disaster Program review process by completing all required reviews on time, providing appropriate training for reviewers, and expanding the universe for second-party reviews.
- GIPSA agreed to (1) define investigations by differentiating between performing onsite reviews and obtaining publicly available data; (2) record and validate data in the tracking system; (3) timely identify the work to be performed, prepare and approve work plans, perform the fieldwork and analysis, and report on the results; (4) promptly receive, review, and act on policy issues and guidance; and (5) perform internal reviews to monitor and report on agency activities.
- USDA agreed to direct the Office of Civil Rights to resume conducting compliance reviews.
- RMA implemented standardized procedures for monitoring and reviewing the new crop insurance products, including timeframes for performing contract reviews, if deemed necessary, and established guidelines for annual evaluations performed by private companies, if required in the product's memorandum of agreement.
- The Chief Financial Officer agreed to meet with the Under and Assistant Secretaries to emphasize the necessity to oversee the proper and timely implementation of IPIA.

SUMMARY OF AUDIT REPORTS RELEASED FROM OCTOBER 1, 2005, THROUGH MARCH 31, 2006

DURING THE 6-MONTH PERIOD FROM OCTOBER 1, 2005, THROUGH MARCH 31, 2006, THE OFFICE
OF INSPECTOR GENERAL ISSUED 47 AUDIT REPORTS, INCLUDING 7 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
ANIMAL AND PLANT HEALTH INSPECTION SERVICE	1			
COMMODITY CREDIT CORPORATION	1			
COOPERATIVE STATE RESEARCH, EDUCATION AND EXTENSION SERVICE	1			
FARM SERVICE AGENCY	4	\$9,053,004		\$2,754,543
FOOD AND NUTRITION SERVICE	7	\$12,156,925		\$6,126,830
FOOD SAFETY AND INSPECTION SERVICE	2			
FOREIGN AGRICULTURAL SERVICE	1	\$2,175,876	\$2,175,876	
FOREST SERVICE	9	\$37,890		
GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION	1			
MULTIAGENCY	10	1,576,699	\$5,137	
OFFICE OF THE CHIEF FINANCIAL OFFICER	2			
RISK MANAGEMENT AGENCY	3	\$96,489		
RURAL BUSINESS-COOPERATIVE SERVICE	1			
RURAL DEVELOPMENT	1			
RURAL HOUSING SERVICE	1			
RURAL TELEPHONE BANK	1			
RURAL UTILITIES SERVICE	1			
TOTALS	47	\$25,096,883	\$2,181,013	\$8,881,373
TOTAL COMPLETED:				
SINGLE AGENCY AUDIT	37			
MULTIAGENCY AUDIT	10			
SINGLE AGENCY EVALUATION	0			
MULTIAGENCY EVALUATION	0			
TOTAL RELEASED NATIONWIDE	47			
TOTAL COMPLETED UNDER CONTRACT ^b	7			
TOTAL SINGLE AUDIT ISSUED ^c	0			

^a Unsupported values are included in questioned values

^b Indicates audits performed by others

^c Indicates audits completed as Single Audit

-Continued

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES

FROM OCTOBER 1, 2005, THROUGH MARCH 31, 2006

AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
Animal and Plant Health Inspection Service						
336010003AT	2006/01/17	APHIS - Implementation of the Listed Agent or Toxin Regulations (Phase II)				
Total: Animal and Plant Health Inspection Service			1			
Commodity Credit Corporation						
064010020FM	2005/11/09	Monitoring the Audit of CCC's Fiscal Year 2005 Financial Statements				
Total: Commodity Credit Corporation			1			
Cooperative State Research, Education, and Extension Service						
136010001CH	2006/02/08	CSREES - USDA's Progress To Implement the Improper Payments Information Act of 2002				
Total: Cooperative State Research, Education and Extension Service			1			
Farm Service Agency						
030160002TE	2006/03/31	Farm Service Agency Debt Forgiveness Restrictions on Borrower Eligibility for Farm Loan Programs		\$9,053,004		
036010011AT	2005/11/17	Minority Participation in FSA's Farm Loan Programs				
036010013CH	2006/03/06	FSA - USDA's Progress To Implement the Improper Payments Information Act of 2002				
036010044TE	2006/03/27	FSA Improper Payments - Finality Rule and Misaction/ Misinformation				\$2,754,543
Total: Farm Service Agency			4	\$9,053,004		\$2,754,543
Food and Nutrition Service						
270020002AT	2006/03/31	WIC Administrative Costs in Georgia		\$111,303		
270100018CH	2005/10/28	Monitoring of CACFP Providers in Minnesota		\$265,347		

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES

FROM OCTOBER 1, 2005, THROUGH MARCH 31, 2006

AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
270100034HY	2005/12/01	Audit of the Avella, PA, School District's Use of National School Lunch Program Funds				
270990033SF	2005/11/16	FNS - WIC Administrative Costs - Oregon				
270990060AT	2005/12/23	FNS - Special Wages Incentive Program in Puerto Rico		\$11,780,275		
274010001FM	2005/11/08	FY 2005 FNS Financial Statements				
276010015KC	2005/12/09	National School Lunch Program - Cost-Reimbursable Contracts with a Food Service Management Company				\$6,126,830
Total: Food and Nutrition Service			7	\$12,156,925		\$6,126,830
Food Safety and Inspection Service						
246010005HY	2005/12/20	FSIS Assessment of the Equivalence of the Canadian Meat Inspection System				
246010006CH	2006/03/15	Review of Food Safety Inspection Service's In-Plant Performance System (IPPS)				
Total: Food Safety and Inspection Service			2			
Foreign Agricultural Service						
070160001AT	2006/03/15	Private Voluntary Organization (PVO) Grant Fund Accountability		\$2,175,876	\$2,175,876	
Total: Foreign Agricultural Service			1	\$2,175,876	\$2,175,876	
Forest Service						
080170002HQ	2005/12/12	DCAA Audit of Cattlemen's Meat Company's Termination for Convenience Settlement Proposal Funded By FS				
080170003HQ	2006/02/28	DCAA Audit of ARDCO Inc.'s Termination Proposal Funded By FS				
080170004HQ	2006/02/08	DCAA Audit of Durette Construction Company's Termination Proposal				

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES

FROM OCTOBER 1, 2005, THROUGH MARCH 31, 2006

AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
080170005HQ	2006/03/01	DCAA Audit of Hawkins & Powers Aviation's Termination Proposal Funded By FS				
080170006HQ	2006/01/30	DCAA Audit of Minden Air Corporation's Termination Settlement Proposal				
084010005FM	2005/11/15	Monitoring the Audit of Fiscal Year 2005 Forest Service Financial Statements				
084010006FM	2005/12/21	Monitoring the Audit of Fiscal Year 2005 Forest Service's Statement of Financing				
086010041SF	2006/01/13	Forest Service Collaborative Ventures and Partnerships with Non-Federal Entities		\$37,890		
086010042SF	2006/03/14	FS Firefighting Contract Crews				
Total: Forest Service			9	\$37,890		
Grain Inspection, Packers and Stockyards Administration						
306010001HY	2006/01/10	Management and Oversight of the Packers and Stockyards Programs				
Total: Grain Inspection, Packers and Stockyards Administration			1			
Multi-Agency						
504010056FM	2005/11/15	FY 2005 USDA Financial Statements				
504010058FM	2005/12/01	Audit of USDA's Closing Package For Fiscal Year 2005				
505010003FM	2005/10/24	Management and Security Over IT Convergence				
505010004FM	2005/10/21	Review of USDA's Certification and Accreditation Effort				
505010005FM	2005/10/06	Federal Information Security Management Act – FY 2005				
506010008TE	2005/12/08	Controls Over APHIS Issuance of Genetically Engineered Organisms Release Permits				
506010009TE	2006/02/08	Disaster Assistance Payments For Crop Years 2001 and 2002		\$376,699	\$5,137	

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES

FROM OCTOBER 1, 2005, THROUGH MARCH 31, 2006

AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
506010010CH	2006/02/13	USDA's Progress To Implement the Improper Payments Information Act of 2002				
506010010KC	2006/01/25	Monitoring BSE Expanded Surveillance Program Implementation Phase II		\$1,200,000		
506010011HQ	2006/02/16	Assessment of USDA's Controls For Resuming Trade with Japan For Beef				
Total: Multi-Agency			10	\$1,576,699	\$5,137	
Office of the Chief Financial Officer						
114010022FM	2005/11/15	FY 2005 National Finance Center IT Controls				
114010023FM	2005/10/31	FY 2005 Agreed Upon Procedures: Retirement, Health and Life Insurance and Headcount				
Total: Office of the Chief Financial Officer			2			
Risk Management Agency						
050990011SF	2005/11/09	RMA Prevented Planting Claims		\$96,489		
054010014FM	2005/11/04	Monitoring the Audit of Fiscal Year 2005 FCIC Financial Statements				
056010013TE	2006/02/13	New Crop Insurance Products Submitted By Private Companies				
Total: Risk Management Agency			3	\$96,489		
Rural Business-Cooperative Service						
346010004CH	2006/02/08	RBS - USDA's Progress to Implement the Improper Payment Information Act of 2002				
Total: Rural Business-Cooperative Service			1			
Rural Development						
854010012FM	2005/11/10	RD FY 2005 Financial Statements				
Total: Rural Development			1			

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES

FROM OCTOBER 1, 2005, THROUGH MARCH 31, 2006

AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
Rural Housing Service						
046010011CH	2006/02/24	RHS - USDA's On-Going Efforts To Implement the Improper Payments Information Act of 2002				
Total: Rural Housing Service			1			
Rural Telephone Bank						
154010006FM	2005/11/09	Monitoring the Audit of Fiscal Year 2005 RTB's Financial Statements				
Total: Rural Telephone Bank			1			
Rural Utilities Service						
096010001CH	2006/03/07	RUS - USDA's Progress To Implement the Improper Payments Information Act of 2002				
Total: Rural Utilities Service			1			
Grand Total:			47	\$25,096,883	\$2,181,013	\$8,881,373

AUDITS WITHOUT MANAGEMENT DECISION

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

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
NEW SINCE LAST REPORTING PERIOD				
APHIS	04/20/05	1. National Cooperative State/Federal Bovine TB Eradication Program (33099-5-Ch)		
	06/23/05	2. Implementation of the Listed Agent or Toxin Regulations (33601-2-At)		
	09/30/05	3. APHIS Animal Care Program Inspection and Enforcement Activities (33002-3-SF)	689,354	689,354
FSA	09/30/05	4. Survey of Emergency Feed and Livestock Compensation Programs (03099-52-KC)	18,747	18,747
	09/30/05	5. Review of Application Controls Automated Price Support Loan Application (03099-195-KC)		
	09/30/05	6. FSA Compliance Activities (03601-12-Ch)	3,741,157	3,741,157
FSIS	06/24/05	7. HACCP – Compliance by Very Small Plants (24601-5-At)		
RBS	09/29/05	8. Request Audit of B&I Loan In Arkansas (34099-7-Te)	2,502,954	
RMA	05/24/05	9. Review of Pilot Programs (05601-12-Te)		
RUS	09/30/05	10. Broadband Grant and Loan Programs (09601-4-Te)	340,376,319	195,765,821
PREVIOUSLY REPORTED BUT NOT YET RESOLVED				
These audits are still pending agency action or are under judicial, legal, or investigative proceedings. Details on the recommendations where management decisions had not been reached have been reported in previous Semiannual Reports to Congress. Agencies have been informed of actions that must be taken to reach management decision, but for various reasons the actions have not been completed. The appropriate Under and Assistant Secretaries have been notified of those audits without management decisions.				
APHIS	02/20/03	11. Safeguards To Prevent Entry of Prohibited Pests and Diseases Into the United States (33601-3-Ch)		
	09/30/04	12. Wildlife Services – Aerial Acquisition Procedures (33099-1-KC)	25,208	25,208
	03/31/05	13. Transition and Coordination of Border Inspection Activities Between USDA and DHS (33601-5-Ch)		

FNS	05/11/01	14. NSLP Food Service Management Companies (27601-12-KC)	3,572,137	2,815,826
	09/06/01	15. NSLP – Food Service Management Companies (27601-24-Ch)	3,537,912	236,749
	11/21/01	16. CACFP-Wildwood, Inc. Phase II (27010-6-KC)	36,895,611	36,895,611
	03/29/02	17. NSLP – Chartwell's Food Service Management Company (27601-13-KC)	307,711	307,711
	06/25/04	18. Philadelphia NSLP Computer Attendance/Meal Claim Analysis (27010-31-Hy)	867,424	867,424
FSIS	06/21/00	19. Implementation of HACCP System (24001-3-At)		
	09/30/03	20. Oversight of Production Process and Recall at ConAgra Plant (Establishment 969) (24601-2-KC)		
	09/30/04	21. Use of Food Safety Information Systems (24601-3-Ch)		
	11/24/04	22. Application Control Review of FSIS' Performance Based Inspection Service (PBIS) System (24501-1-FM)		
Multiagency	09/30/03	23. Implementation of Agricultural Risk Protection Act (50099-12-KC)		
	09/30/03	24. 2000 Crop Disaster Program (50099-15-KC)	20,049	
	02/23/04	25. Homeland Security Issues for USDA Grain and Commodities Inventory (50099-13-KC)		
RBS	01/28/02	26. Lender Servicing of B&I Guaranteed Loans, Florida (34601-3-At)	1,536,060	1,536,060
	01/10/03	27. Lender Servicing of B&I Guaranteed Loans in Georgia (34601-4-At)	3,766,908	3,706,908
	08/27/03	28. RD – Lender Servicing of B&I Guaranteed Loan in Georgia (34601-5-At)	9,145,549	224,951
	09/30/03	29. RD – Liquidation of B&I Guaranteed Loans (34601-8-SF)	818,121	3,560
	04/23/04	30. RBS Value-Added Agricultural Product Market Development Grants (34601-3-KC)		
RHS	05/25/00	31. RRH – Nationwide Initiative in MO – Lockwood Management Co., St. Louis, MO (04801-2-KC)	4,922,879	4,807,001
	09/28/01	32. Rural Rental Housing Program Insurance Expenses, Phase II (04601-4-KC)	596,665	79,442
	06/26/03	33. RD – RRH Program, Tenant Income Verification, Gainesville, FL (04004-3-At)	7,781,635	3,183,305
	09/30/04	34. Rural Rental Housing Project Costs, Cairo, IL (04099-143-Ch)*	164,000	164,000
	03/23/05	35. Subsidy Payment Accuracy In Multi-Family Housing Programs (04099-339-At)		
RMA	02/28/01	36. FY 2000 FCIC Financial Statements (05401-1-HQ)		
	03/15/02	37. Monitoring of RMA's Implementation of Manual 14 Reviews/Quality Control Review System (05099-14-KC)		

AUDITS WITHOUT MANAGEMENT DECISION – NARRATIVE FOR NEW ENTRIES

1. National Cooperative State/Federal Bovine Tuberculosis (TB) Eradication Program (33099-5-Ch), Issued April 20, 2005.

We have reached management decisions on three of the four recommendations. Because APHIS is proposing regulation changes for the remaining recommendation, we have suggested alternative actions until the regulations are finalized.

2. Implementation of the Listed Agent or Toxin Regulations (33601-2-At), Issued June 23, 2005.

We found that APHIS had not fully implemented controls for enforcing safeguard and security measures to prevent access to dangerous biological agents and toxins as required by the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. The audit report contained 10 recommendations to strengthen APHIS controls over its Select Agent Program. APHIS agreed with the recommendations, and management decision has been reached for nine of them. We are awaiting a response from APHIS to address the timeframe for completing the remaining recommendation.

3. APHIS Animal Care Program Inspection and Enforcement Activities (33002-3-SF), Issued September 30, 2005.

We identified several ways in which Animal Care should improve its inspection and enforcement practices to ensure that animals receive humane care and treatment and that public safety is not compromised. Management decisions were reached on 12 of the 20 recommendations. We are awaiting a response from APHIS to address the remaining eight recommendations.

4. Survey of Emergency Feed and Livestock Compensation Program (03099-52-KC), Issued September 30, 2005.

Our review generally disclosed that management controls did not ensure nonfat dry milk (NDM) distributed through the 2002 Cattle Feed Program (CFP) and the 2003 Nonfat Dry Milk Assistance initiative (NDMA) was used for authorized purposes. In some cases, excess NDM was sold to third parties for export and possible incorporation into human food products, which was not intended under the program, or stored outdoors for prolonged periods of time. For the Livestock Compensation Program (LCP) we found that, in non-drought-related disaster counties, there was no direct correlation between the amounts of LCP payments and economic losses due to the disaster—the program's standard payment rate per head of livestock was based on economic losses due to long-term drought conditions.

We generally recommended that FSA recover \$18,747 in transportation costs associated with NDM improperly ordered by a feed dealer for delivery to ineligible producers and that FSA develop recommendations and strengthen internal controls for future NDM assistance programs based on best practices/lessons learned. As part of the implementation of the 2004 NDMA, FSA implemented significant actions to restrict the quantities and end-use of NDM made available under the program. FSA agreed to take all practicable steps to ensure future LCP benefits are targeted to eligible producers who suffer eligible losses. Due to the Deputy Administrator for Commodity Operations' (DACO) shift of resources to handle urgent needs relating to Hurricanes Katrina and Rita, FSA (DACO) was unable to provide a complete response to the audit until March 2006. Management decision for the report's seven open recommendations is pending OIG evaluation of the corrective actions proposed by DACO.

5. Review of Application Controls Automated Price Support Loan Application (03099-195-KC), Issued September 30, 2005.

Our audit identified areas where improvements were warranted regarding application programming, access, and security. We found that weaknesses existed in several

automated checks used to validate data in the price support loan application. Specifically, we found weaknesses in controls over logical access, transmission of data without the appropriate security measures, risk assessment documentation, and contingency plans. We recommended that FSA consult with OCIO and implement adequate security to ensure that all sensitive data is transmitted securely in accordance with applicable requirements and revise contingency plans for county offices that will provide the achievable processes to be followed for continued operation if an emergency arises and establish oversight of the plans.

Two of the seven recommendations remain without management decision. For one recommendation, the management decision is contingent on the pending OCIO decision regarding the waiver of departmental requirements. If a waiver is not granted, then a corrective action plan and applicable timeframes are needed. For the other recommendation, additional clarification is needed on when the updated contingency plan instructions will be provided to the county offices and the procedures to provide oversight of the plans to ensure that they accurately describe expected actions. FSA asked for an extension to reply in December 2005, but no response has been received to date.

6. FSA Compliance Activities (03601-12-Ch), Issued September 30, 2005.

We found that there is no effort to coordinate FSA's myriad compliance functions or to capture and analyze the results of FSA's various compliance reviews and spot checks in order to identify and remedy program weaknesses. In addition, FSA could improve the efficiency of its reviews by employing advanced techniques, such as statistical sampling or data-mining—we conservatively calculated that, if FSA used statistical sampling to conduct the two compliance reviews we examined, FSA could save more than 368,000 work hours (valued at more than \$3.7 million). We generally recommended that FSA overhaul its compliance activities to implement more efficient and effective methods of performing and using the results of its compliance reviews. FSA organized a task force to examine its compliance functions and plans to propose management decisions based on task force recommendations by January 2007.

7. HACCP – Compliance by Very Small Plants (24601-5-At), Issued June 24, 2005.

Our audit found a number of deficiencies that needed correction before FSIS could consider very small plants to be in full compliance with HACCP regulations. We concluded that management controls for monitoring both plant operations and inspectors' performance needed improvement. Management decisions have been accepted for 9 of the 14 recommendations. We are awaiting a response from the agency to address the remaining five recommendations.

8. Request Audit of B&I Loan in Arkansas (34099-7-Te), Issued September 29, 2005.

RBS agreed with our recommendation not to honor the guarantee and to recover \$2,502,954 from the lender. RBS is currently working on resolution of disbaring the lender from Government programs. We continue to work with RBS to resolve this remaining issue.

9. Review of Pilot Programs (05601-12-Te), Issued May 24, 2005.

We found that RMA needs to strengthen its monitoring of pilot programs during its evaluation periods. For the three commodities we reviewed—sweet potatoes, fresh market beans, and processing cucumbers—RMA experienced mounting losses through consecutive years but either made no adjustments to program provisions or made adjustments that had no perceptible effect on the losses themselves. RMA has in place a monitoring process through which the agency is to measure on a yearly basis each pilot program's performance against its established goals of participation, premium income, etc. However, we found that the monitoring process was ineffective. In the last remaining open recommendation, we recommended that RMA review its monitoring and any other evaluations of the Sweet Potato Pilot Program and determine whether any personnel action should be initiated for the losses incurred by this program. We are working with RMA to achieve management decision. However, we cannot accept management decision until RMA informs us of its determination of the action, if any, to be undertaken.

10. Broadband Grant and Loan Programs (09601-4-Te), Issued September 30, 2005

We have reached agreement on 2 of the 11 recommendations and are working with RUS to reach management decisions for the remainder of the recommendations. We are working with the agency in refining the definition of eligible rural areas and in prioritizing funding of proposed projects. We are also working with RUS to reach agreement on what policies the agency will implement regarding the funding of projects in a competitive environment. Finally, we are waiting for RUS to provide us with specific information on corrective actions they will take regarding the problem loans and grants we identified in our audit.

INDICTMENTS AND CONVICTIONS

From October 1, 2005, through March 31, 2006, OIG completed 124 investigations. We referred 38 cases to Federal, State, and local prosecutors for their decision.

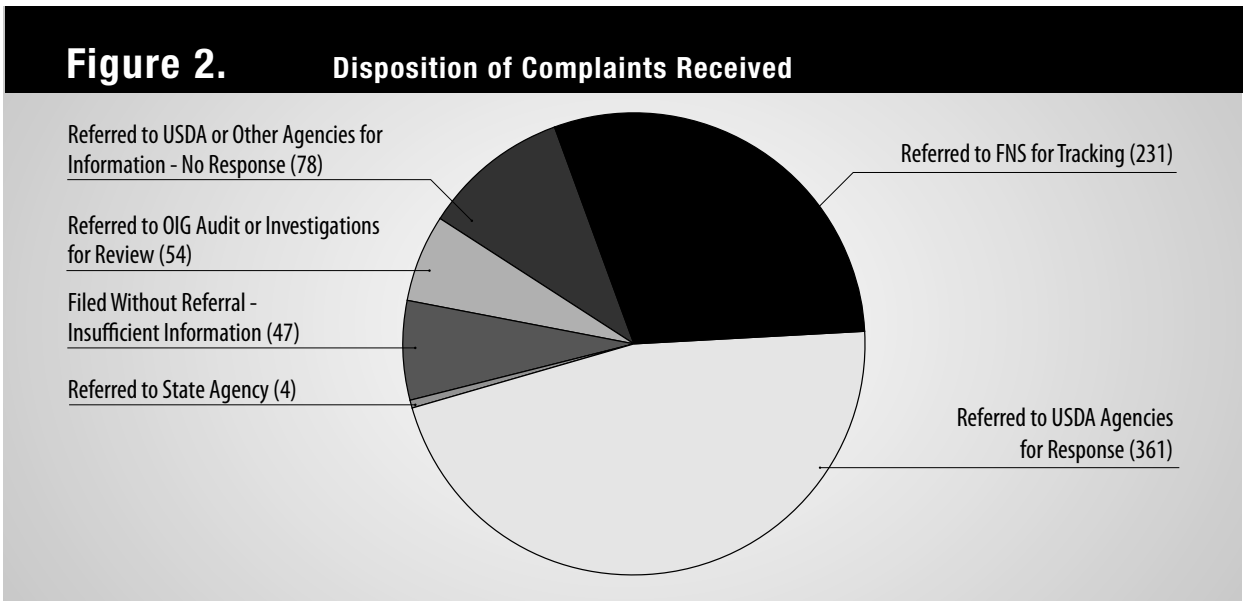
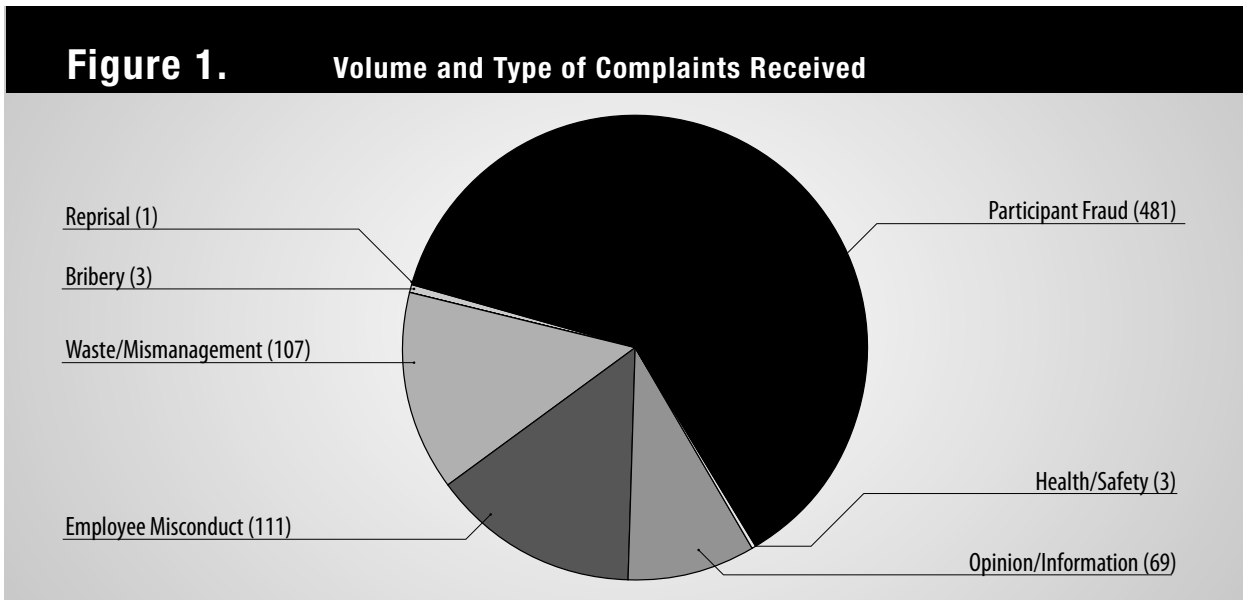
During the reporting period, our investigations led to 133 indictments and 117 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 117 convictions do not necessarily relate to the 133 indictments. Fines, recoveries/collections, restitutions, claims established, cost avoidance, and administrative penalties resulting from our investigations totaled about \$40 million. The following is a breakdown, by agency, of indictments and convictions for the reporting period.

Indictments and Convictions October 1, 2005 - March 31, 2006		
Agency	Indictments	Convictions*
APHIS	7	15
FAS	3	1
FNS	84	54
FS	6	5
FSA	14	26
FSIS	4	3
GIPSA	1	0
NASS	1	0
NRCS	4	6
OCFO	0	1
OIG**	1	0
OJO	1	1
RBS	1	0
RHS	1	4
RMA	4	1
RUS	1	0
Totals	133	117
<p>*This category includes pretrial diversions. **Not an OIG employee, but rather a former employee of a contractor who worked for OIG.</p>		

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



FREEDOM OF INFORMATION ACT (FOIA) AND PRIVACY ACT (PA)

REQUESTS FOR THE PERIOD OCTOBER 1, 2005,
TO MARCH 31, 2006

Number of FOIA/PA Requests Received	107
Number of FOIA/PA Requests Processed	109
Number Granted	29
Number Partially Granted	38
Number Not Granted	42
Reasons for Denial	
No Records Available	17
Referred to Other Agencies	4
Requests Denied in Full (Exemption 7A)	7
Requests Denied in Full (Exemption 5)	1
Request Withdrawn	4
Fee-Related	0
Not a Proper FOIA Request	2
Not an Agency Record	1
Duplicate Request	2
Other	4
Requests for OIG Reports From Congress and Other Government Agencies	
Received	17
Processed	17
Appeals Received	5
Appeals Processed	6
Appeals Completely Upheld	3
Appeals Partially Reversed	0
Appeals Completely Reversed	3
Appeals Requests Withdrawn	0
Number of OIG Reports/Documents Released in Response to Requests	68

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

NOTE 2: During this 6-month period, 45 audit reports were posted to the Internet at the OIG Web site:
<http://www.usda.gov/oig>

Abbreviations of Organizations

AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
CBP	U.S. Customs and Border Protection
CCC	Commodity Credit Corporation
CDC	Centers for Disease Control and Prevention
CR	Office of Civil Rights
CSREES	Cooperative State Research, Education, and Extension Service
DHS	U.S. Department of Homeland Security
DOF	Puerto Rico Department of the Family
DOJ	Department of Justice
FAS	Foreign Agricultural Service
FBI	Federal Bureau of Investigation
FCIC	Federal Crop Insurance Corporation
FNS	Food and Nutrition Service
FS	Forest Service
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
GAO	Government Accountability Office
GIPSA	Grain Inspection, Packers and Stockyards Administration
ITS	Information Technology Services
NASS	National Agricultural Statistics Service
NFC	National Finance Center

Abbreviations of Organizations	
NFF	National Forest Foundation
NIST	National Institute of Standards and Technology
NITC	National Information Technology Center
NRCS	Natural Resources Conservation Service
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OGC	Office of the General Counsel
OIG	Office of Inspector General
OJO	Office of Judicial Officer
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OPPM	Office of Procurement and Property Management
OSTP	Office of Science and Technology Policy
PCIE	President's Council on Integrity and Efficiency
PPQ	Plant Protection and Quarantine
P&SP	Planning and Special Projects
RBS	Rural Business-Cooperative Service
RD	Rural Development
RHS	Rural Housing Service
RMA	Risk Management Agency
RUS	Rural Utilities Service
USDA	U.S. Department of Agriculture

Key OIG Accomplishments in This Reporting Period

RESULTS IN KEY CATEGORIES SUMMARY OF AUDIT ACTIVITIES		
Reports Issued		
Number of Reports		47
Number of Recommendations		307
Management Decisions Made		
Number of Reports		28
Number of Recommendations		214
Total Dollar Impact (Millions) Of Management-Decided Reports		\$185.7
<i>Questioned/Unsupported Costs</i>	\$25.9	
<i>Funds To Be Put to Better Use</i>	\$159.8	
Summary of Investigative Activities		
Reports Issued		124
Impact of Investigations		
Indictments		133
Convictions		117
Arrests		250
Total Dollar Impact (Millions)		\$40.0
Administrative Sanctions		86

EXAMPLES OF PROGRAM IMPROVEMENT RECOMMENDATIONS MANAGEMENT AGREED TO DURING THIS REPORTING PERIOD (198 TOTAL)

- APHIS (1) revised its testing protocols to require additional confirmatory procedures when inconclusive BSE test results occur; (2) agreed to publish information to fully advise stakeholders of assumptions and procedures, limitations of data, and conclusions reached as a result of the BSE surveillance program; and (3) agreed to perform additional outreach to emphasize the importance of accurately determining and recording the age of the target animals and ensure laboratory personnel understand procedures.
- FSIS agreed to verify the adequacy of control programs for specified risk material at all beef slaughter and processing establishments.
- AMS agreed to (1) maintain a list of specific, export-eligible products for each facility with an approved Beef Export Verification program; (2) systematically notify FSIS when any establishment is approved/delisted from a BEV program; and (3) work with establishments to ensure their processes and controls adhere to BEV program requirements.
- APHIS generally agreed with our recommendations on specific ways to improve inspections for select plant and animal biological agents and toxins.
- FSA agreed to improve its Crop Disaster Program review process by completing all required reviews on time, providing appropriate training for reviewers, and expanding the universe for second-party reviews.
- GIPSA agreed to define investigations by differentiating between performing onsite reviews and obtaining publicly available data.
- USDA agreed to direct the Office of Civil Rights to resume conducting compliance reviews.
- The Chief Financial Officer agreed to meet with the Under and Assistant Secretaries to emphasize the necessity to oversee the proper and timely implementation of IPIA.

