2010 PERFORMANCE AND ACCOUNTABILITY REPORT

USDA

United States Department of Agriculture

This Performance and Accountability Report (PAR) can be downloaded at www.usda.gov. From there, click on "About USDA." The U.S. Department of Agriculture (USDA) can be contacted through the same Web site by clicking "Contact Us."

Only Federal employees participated in the preparation of the performance and financial information contained in this report.

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Message from the Secretary

In fulfillment of its duty to the people, the President, and Congress, the U.S. Department of Agriculture (USDA) respectfully submits this *Fiscal Year (FY) 2010 Performance and Accountability Report*.

As the Obama Administration worked to stabilize and grow the economy, USDA worked to implement the American Recovery and Reinvestment Act of 2009 (ARRA) and other measures to create and save tens of thousands of jobs. At the same time, the Department supported families hard hit by the recession. It provided food assistance to one in four Americans, and credit and disaster assistance to help struggling farmers and ranchers maintain their operations. USDA also worked to build a foundation for long-term economic growth. The Department helped 138,000 rural families become homeowners by building and renovating critical infrastructure like broadband, hospitals and police stations across the Nation, and expanding production of renewable energy.

The Department's wide range of programs and responsibilities touched the lives of every American, every day. USDA worked to support the American agricultural economy, to strengthen rural communities, to protect and conserve our natural resources, and to provide a safe, sufficient and nutritious food supply for the American people.

Together with President Obama, we outlined a plan to build a revitalized rural economy that creates real opportunity for growth and prosperity. To make this vision a reality, USDA is ensuring access to innovative technologies, opening new markets for crops, and better utilizing our natural resources and promoting production of renewable fuel and energy. The Department accomplishes these tasks by:

- Providing financing to help rural businesses expand and innovate, creating or saving 128,000 jobs;
- Using ARRA funding to help nearly 7 million rural Americans gain access to broadband, which is expected to save or create more than 25,000 jobs while expanding access to state-of-the-art health care, educational, and cultural resources. This funding also allowed local businesses to compete in the global economy;
- Supporting the expansion of U.S. agricultural exports, expected to exceed $105 billion in FY 2010, with grants and loan guarantees to support international market development. These exports support more than 800,000 American jobs; and
- Funding thousands of renewable energy and energy efficiency projects, providing more than $240 million in funding under the Biomass Crop Assistance Program, and establishing 5 regional research centers to focus, accelerate, and coordinate the science and technology needed to develop a national biofuels industry powered by feedstocks produced in every corner of the country.

USDA also looked at new efforts – and at streamlining and targeting existing work – to preserve the Nation's forests and clean waterways, while mitigating global climate change. The Department:

- Used $40 million through the Migratory Bird Habitat Initiative to improve habitat on more than 471,000 acres for migratory birds that could be impacted by the Deepwater Horizon oil spill;
- Improved water and soil quality, enhanced wildlife habitat, and addressed the effects of climate change, through the Conservation Stewardship Program. USDA awarded almost 21,000 contracts to improve and sustain conservation efforts on nearly 25.2 million acres, a land area equivalent in size to the State of Virginia;

- Protected 53,000 acres of the most critical and important farmland from conversion to nonagricultural uses by conservation easements;
- Supported jobs and rural economies through the sale of more than 2.56 billion board feet of timber. Many of these projects were designed with restoration as an emphasis on these public lands; and
- Accepted 4.3 million acres into the Conservation Reserve Program to give farmers the tools they need to continue filtering our air and water, and preventing soil erosion long into the future.

The Department worked to improve the health of America's children with partnerships to encourage nutritious eating and more physical activity. In FY 2010, USDA:

- Made it easier for low-income working families to get the Supplemental Nutrition Assistance Program by encouraging States to adopt broad-based categorical eligibility and other policy options. Today, 39 States use broad-based categorical eligibility;
- Enabled low-income children to receive free school meals without an application by promoting direct certification. This effort allowed 1.6 million more children to be directly certified in School Year 2009-10 than the previous year;
- Supported and recognized healthier nutrition environments for school children through HealthierUS School Challenge awards – reaching a cumulative total of more than 800 by the end of FY 2010;
- Spurred innovation to make healthy food choices and physical activity fun for children through the Let's Move! Apps for Healthy Kids competition – resulting in nearly 100 entries from students, software designers, game developers, and independent entrepreneurs; and
- Helped researchers, policy makers, and the public find information on a range of factors that affect access to healthy, affordable food, with the launch of Your Food Environment Atlas, an online mapping tool that compares the food environment of U.S. counties.

USDA is ensuring that America is the world leader in sustainable crop production. It conducts cutting-edge agricultural research and provides farmers and ranchers across America with direct support, disaster assistance, technical assistance, and access to credit. This work included:

- Making approximately $5 billion in direct and counter-cyclical payments, and $6.7 billion in marketing assistance loans to farmers and ranchers;
- The Department completing its first year of competitive grant funding through National Institute of Food and Agriculture. It awarded more than $176 million to research universities and colleges across the U.S. for projects focused on critical issues for America, including sustainable production of food and biomass for biofuels;
- Revealed the genetic blueprints of a host of plants and animals including the genomes of apples, pigs, turkeys, and a grass with great potential as a biofuel crop. This work allows us to bypass generations of selective breeding to bring more abundant, nutritious food to the American table, and increase domestic energy supplies; and
- Protected the U.S. citrus industry against the further spread of the devastating citrus greening disease—saving thousands of jobs and preventing $2.88 billion in lost production annually. FY 2010 also marked the eradication of Plum Pox Virus from Pennsylvania, protecting the $1.4 billion U.S. stone fruit industry.

And as we fulfill our responsibility to serve the American people, we are working to live up to President Obama's call to deliver the most transparent, accountable, and responsive government in history. USDA worked hard to make the best use of the taxpayers' dollars. By putting farmers and taxpayers first, the Department saved $6 billion by negotiating a new Standard Reinsurance Agreement for crop insurance. Of that total, $4 billion will go to pay down the Federal deficit while the balance will expand critical programs for America's producers. Other USDA agencies have identified millions of dollars in savings by finding efficiencies in travel, facilities, processes, and other operating expenses.

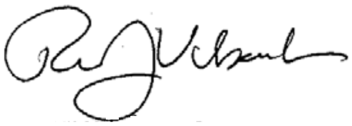
Federal oversight of food safety was identified by the Government Accountability Office's high risk report in 2009, the only USDA area on the list. The Department is committed to ensuring Americans have access to safe, nutritious, and balanced meals. Prevention is the foundation principle for USDA's approach to food safety. Thus, it takes a farm-to-table approach to reducing and preventing foodborne illness. USDA also works closely with its Federal partners to improve the organization of Federal food safety responsibilities. From our front line inspectors to our labs and management, USDA is working to ensure it has the tools to build the best food safety system possible. While the Department works to improve the system, until it makes it perfect, we consider it our responsibility to communicate with consumers about appropriate food handling and preparation. USDA invests in its inspection workforce and data infrastructure to prevent harm to consumers. The Department strives to reduce the prevalence of food contaminants and to quickly identify and prevent foodborne illness outbreaks. While the Food Safety Inspection Service did not meet its FY 2010 performance standards, it will build upon its ongoing initiatives, including the following specific actions taken to further protect and improve public health:

- Continuing to participate in President Obama's Food Safety Working Group to build an interagency food safety system that will meet the challenges posed by the global food supply of the 21st century;
- Issuing draft performance standards for the pathogen *Salmonella* in raw poultry products and proposing the first standards for the pathogen *Campylobacter* in poultry, both of which can cause severe illness;
- Beginning a new verification testing program for beef manufactured trimmings derived from cattle not slaughtered on site at an establishment, and issuing draft guidelines on methods for controlling the pathogen *E. coli* O157:H7 on the farm before cattle come to slaughter; and
- Continuing to develop and test its dramatically improved surveillance and data collection and analysis system – known as the Public Health Information System – which will help USDA respond more rapidly to current and potential threats in the food safety system, and thus better prevent contamination, recalls, and, ultimately, foodborne illnesses.

The Department's management team continues to oversee USDA's assessment of internal control over its programs, operations, financial systems, and financial reporting. The Department's work is consistent with the provisions of the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA). USDA's continuous monitoring and remediation efforts allow us to provide the taxpayers reasonable assurance that the content of this report is based on sound, accurate data.

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

I salute USDA employees for their outstanding work. I thank you for your interest in the Department. I am proud to share this information with our stakeholders. We will continue to serve the needs of the people every day and in every way.



Thomas J. Vilsack
Secretary of Agriculture
November 15, 2010

About this Report

This *Fiscal Year 2010 Performance and Accountability Report* (PAR) is the year-end progress report of the United States Department of Agriculture (USDA). The Department reviews its strategic goals, objectives, and performance measures it set for itself at the beginning of the fiscal year. USDA then compares these targets to the year's performance. The data used by the Department to measure performance are collected using a standardized methodology. This methodology has been vetted by Federally employed scientists and policymakers, and, ultimately, the Under Secretaries of the respective mission areas. All attest to the completeness, reliability, and quality of the data.

The Government Performance and Results Act of 1993 (GPRA) is the basis of Federal agency planning and reporting. GPRA and later laws and executive branch guidance drive the planning and reporting process in this fashion: the 5-year Strategic Plan is used to craft the Annual Performance Plan, and progress on the Annual Performance Plan is reported in the PAR. All plans and reports are available at usda.gov.

The PAR is divided into four sections:

1. Management's Discussion and Analysis
   - Summarizes the information contained in Sections 2, 3, and 4 of the PAR
   - Includes the Secretary's Statement of Assurance
2. Annual Performance Report
   - Reports results of actions taken toward meeting the performance measures put forth in the Annual Performance Plan. Note that this FY 2010 PAR has a different performance measure numbering scheme than the FY 2009 PAR, based on differences in the FY 2010 Annual Performance Plan
3. Financial Statements, Notes, Supplemental, and Accompanying Documents
   - Highlights USDA's progress in financial management during FY 2010
4. Other Accompanying Documents
   - Includes appendices and additional information USDA deems relevant, but that may not be required to be reported

The American Recovery and Reinvestment Act of 2009 (ARRA) augmented the delivery of USDA programs to the American people. This report highlights some of the diverse benefits that ARRA funds had on numerous USDA programs. Additional information on USDA's role in recovery can be found at USDA.gov/recovery.

The programs once rated by the Performance Assessment Rating Tool (PART) are represented by performance measures or program discussion presented in the Annual Performance Plan and subsequently reported in the PAR.

[redacted]

Section 1.
Management's Discussion and Analysis

The U.S. Department of Agriculture (USDA) was founded by President Abraham Lincoln in 1862, when more than half of the Nation's population lived and worked on farms. The population has increased approximately tenfold, and is estimated at 307 million people, the vast majority of whom do not live on farms or in rural areas. The magnitude of America's evolved needs for food, fiber, forest products, and public services has required USDA to grow and deliver expanded public services.

Today, USDA improves the Nation's economy and quality of life by touching the lives of almost every American every day. More than 100,000 employees deliver more than $188.7 billion to provide public services through USDA's more than 300 programs worldwide.

Because America's food and fiber producers operate in a global, technologically advanced, rapidly diversifying, and highly competitive business environments, USDA is constantly helping producers meet the needs of the Nation.

USDA's strategic goals, as outlined in the *Strategic Plan for FY 2010-2015* (usda.gov, see "About USDA"), are:

- Assist Rural Communities to Create Prosperity So They are Self-Sustaining, Repopulating, and Economically Thriving;
- Ensure Our National Forests and Private Working Lands are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources;
- Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security; and
- Ensure That All of America's Children Have Access to Safe, Nutritious, and Balanced Meals.

These goals mirror USDA's commitment to provide first-class service, state-of-the-art science, and consistent management excellence across the Department. USDA assesses and seeks to improve program performance so that the Department can maximize its impact. Program assessments identify how well and efficiently a program is working and what specific actions can be taken to improve its performance. Summary program evaluations conducted during fiscal year (FY) 2010 are included in this document at the end of Section 2, "Annual Performance Report."

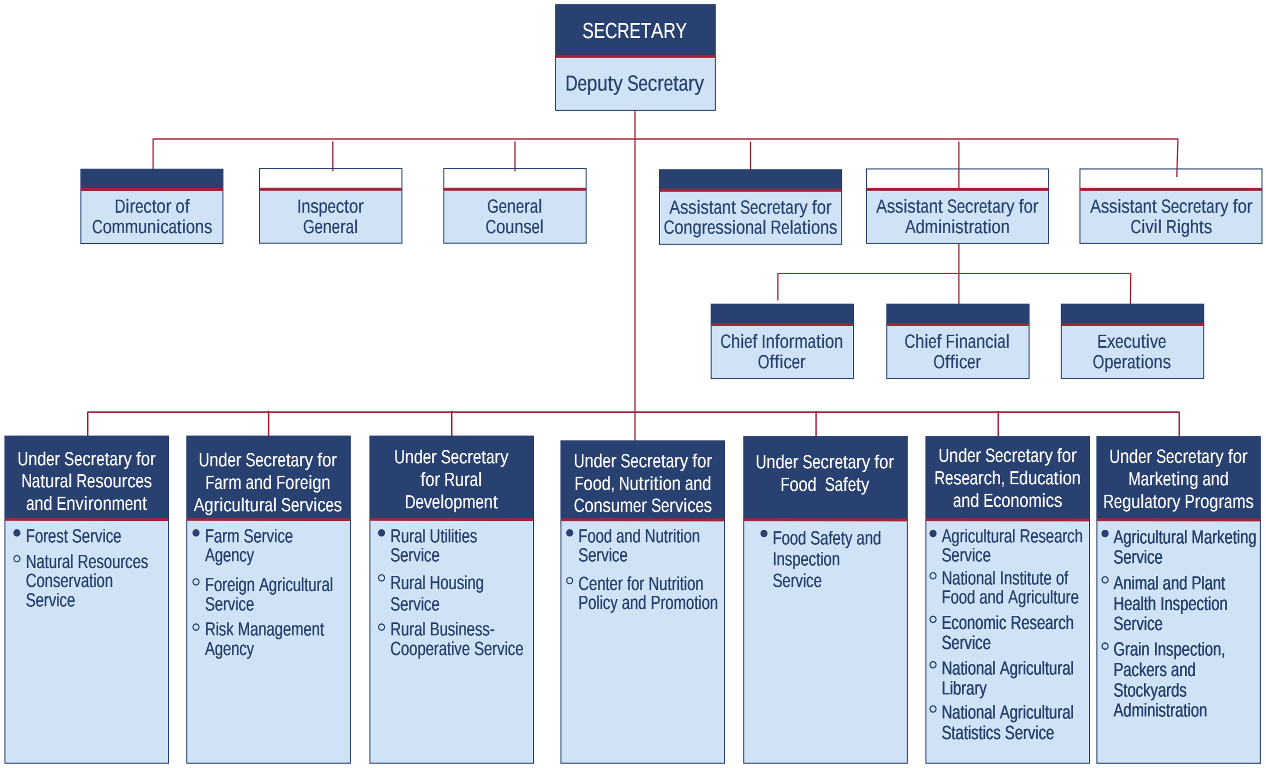
USDA's management structure can be found in Exhibit 1, Headquarters Organization.

USDA's FY 2010 accomplishments include:

- Helping more than 38 million Americans who needed food assistance by administering an average increase in benefits of $80 per month to low-income households of 4. This funding is a fast-acting economic stimulus as every $1 in food benefits generates up to $1.84 in total economic activity;

- Unveiling the “Know Your Farmer, Know Your Food” Initiative, which promotes local and regional food systems by stimulating community economic development and ensuring equitable access to affordable, fresh, and local food;
- Providing 2,636 loans to farmers and ranchers help them purchase the farm equipment, feed, seed, and fuel they needed to keep their farms operating and support jobs in the rural economy (approximately half of these loans went to beginning farmers and 25 percent to socially disadvantaged farmers);
- Aiding 85,420 rural Americans in purchasing or repairing their homes with affordable loans while simultaneously stimulating the economy, and creating jobs in the construction and real estate sectors;
- Helping create private sector jobs that protect rural communities from large wildfires, while improving the health of our forests, water, and air resources;
- Creating green jobs at plants that use wood from forest restoration activities to generate renewable energy – grants worth $50 million went to projects that will power 223,000 homes;
- Assisting more than 5,000 schools to purchase equipment to ensure that safe and healthy meals are served to children;
- Donating 11,000 tons of rice, vegetable oil, yellow peas, and lentils to help feed 390,000 children in Haiti and Afghanistan under the McGovern-Dole International Food for Education and Child Nutrition Program;
- Announcing annual funding to help all States and trust territories sustain the Nation's urban and rural forests, and to protect communities and the environment from wildfires, insects, diseases, and invasive species;
- Debuting the first-ever joint public workshop with the U.S. Department of Justice on competition and regulatory issues in the agriculture industry. The workshop, led by USDA Secretary Thomas J. Vilsack and U.S. Attorney General Eric Holder, featured panel discussions on a variety of topics important to America's farmers and ranchers, including competitive dynamics in the seed industry, trends in contracting, transparency, and buyer power, and concluded with public testimony; and
- Announcing that soil erosion on cropland declined by more than 40 percent during the past 25 years with help from USDA conservation programs.

Exhibit 1: Headquarters Organization (FY 2010)



Mission Areas

Mission Statement

USDA provides leadership on food, agriculture, natural resources, and related issues based on sound public policy, the best available science, and efficient management.

The Department's work is organized by mission areas, which are a collection of agencies that work together to achieve USDA's strategic goals. Descriptions of USDA's seven mission areas are as follows.

Natural Resources and Environment

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

Farm and Foreign Agricultural Services

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

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

Rural Development

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

Food, Nutrition, and Consumer Services

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

Food Safety

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

Research, Education, and Economics

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

Marketing and Regulatory Programs

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

Departmental Management

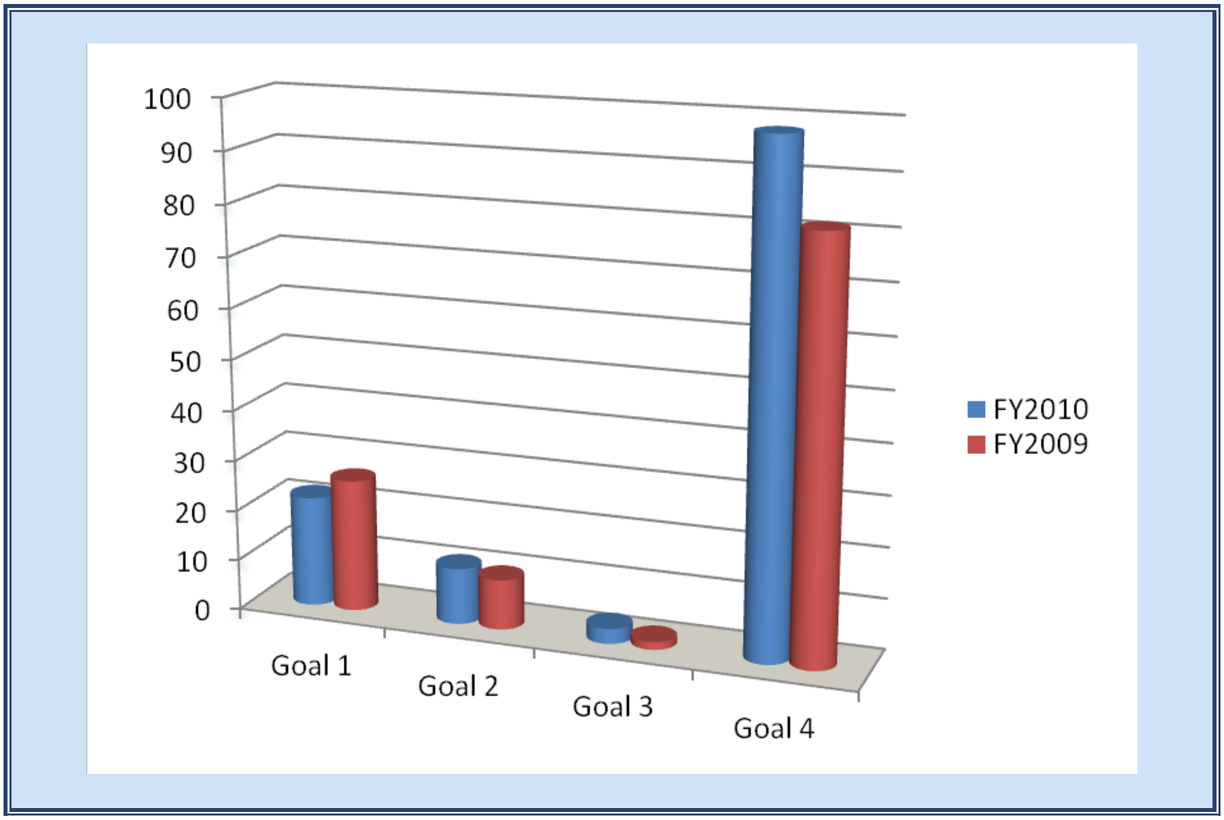
Department-level offices provide centralized leadership, coordination, and support for USDA's policy and administrative functions. Their efforts maximize the energy and resources agencies devote to the delivery of services to USDA customers and stakeholders.

Resources

Congressional appropriations are the primary funding source for USDA operations. FY 2010 program obligations totaled $188.7 billion, an increase of $18.2 billion compared to FY 2009. These are current year obligations from unexpired funds.

Exhibit 2 shows USDA's net cost of program operations for FY 2010, organized by strategic goal and compared to FY 2009. Total net costs for FY 2010 were $132.4 billion compared to $119 billion for FY 2009.

Exhibit 2: FY 2010 USDA Net Cost of Program Operations by Strategic Goals (in millions)



Goal 1: Assist Rural Communities to Create Prosperity So They are Self-Sustaining, Repopulating, and Economically Thriving;

Goal 2: Ensure Our National Forests and Private Working Lands are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources;

Goal 3: Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security; and

Goal 4: Ensure That All of America's Children Have Access to Safe, Nutritious, and Balanced Meals.

Performance Goals, Objectives, and Results

Of the 41 performance measures contained in USDA's FY 2010 Annual Performance Plan, 31 were met or exceeded, 8 were unmet, and 2 were deferred. The following Performance Scorecard table, organized by USDA's strategic goals and objectives, provides a summary of the Department's performance results. Additional analysis of these results can be found in the Annual Performance Report section of this report.

PERFORMANCE SCORECARD FOR FY 2010		
Objectives	Annual Performance Goals	Result
Strategic Goal 1: Assist Rural Communities to Create Prosperity So they are self sustaining, repopulating and Economically Thriving		
1.1 Enhance Rural Prosperity	1.1.1 Number of jobs created or saved through USDA financing of businesses	Exceeded
	1.1.2 Number of borrowers/subscribers receiving new or improved telecommunication services (millions)	Met
1.2 Create Thriving Communities	1.2.1 Number of borrowers/subscribers receiving new or improved service from agency funded water facility	Exceeded
	1.2.2 Homeownership Opportunities Provided	
	• Guaranteed Loans	Exceeded
	• Direct Loans	Exceeded
	• Total	
	1.2.3 Percentage of customers who are provided access to new and/or improved essential community facilities	
	• Health Facilities	Exceeded
	• Safety Facilities	Exceeded
	1.2.4 Number of borrowers/subscribers receiving new and/or improved electric	Exceeded
1.3 Support a Sustainable and Competitive Agricultural System	1.3.1 Percentage of beginning farmers, racial and ethnic minority farmers, and women farmers financed by USDA	Exceeded
	1.3.2 Dollar value of agriculture trade preserved through trade agreement negotiation, monitoring, and enforcement ($ billions) Non-Sanitary/Phytosanitary (SPS) Activities	Exceeded
	1.3.3 Value of trade preserved annually through USDA staff interventions leading to resolution of barriers created by SPS or Technical Barrier to Trade (TBT) actions	Exceeded
	1.3.4 Value of Federal Crop Insurance Corporation (FCIC) risk protection coverage provided through FCIC sponsored insurance ($ billions)	Met
	1.3.5 Normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance ($ billions)	Met
	1.3.6 The number of farmers and ranchers that gained an economic, environmental or quality-of-life benefit from a change in practice learned by participating in a Sustainable Agricultural Research and Education (SARE) project.	Met
	1.3.7 Percent of industry compliance with the Packers Stockyards Act	Unmet
	1.3.8 Maintain or increase percentage of program benefits delivered through a Web environment	Deferred
Strategic Goal 2: Ensure Our National Forests and Private Working Lands are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources		
2.1 Restore and Conserve the Nation's Forests, Farms, Ranches, and Grasslands	2.1.1 Conservation Reserve Program (CRP): Restored wetland acreage (millions of acres)	Exceeded
	2.1.2 Conservation Technical Assistance (CTA): Cropland with conservation applied to improve soil quality (millions of acres)	Met
	2.1.3 Envirionmental Quality Incentive Program (EQIP): Cropland with conservation applied to improve soil quality (millions of acres)	Met
	2.1.4 CTA: Grazingland and forest land with conservation applied to protect and improve the resource base (millions of acres)	Exceeded

PERFORMANCE SCORECARD FOR FY 2010		
Objectives	**Annual Performance Goals**	**Result**
	2.1.5 EQIP: Grazinglands and forest lands with conservation applied to protect and improve the resource base (millions of acres)	Exceeded
	2.1.6 Farmland Ranchland Protection Program (FRPP): Prime, unique or important farmland protected from conversion to non-ag uses by conservation easements (acres)	Exceeded
	2.1.7 Wildlife Habitat Incentive Program (WHIP): Non-Federal land with conservation applied to improve fish and wildlife habitat quality (acres)	Unmet
2.2 Protect and Enhance America's Water Resources	2.2.1 CTA: Comprehensive nutrient management plans applied. (number of plans)	Met
	2.2.2 EQIP: Comprehensive nutrient management plans applied (number of plans)	Unmet
	2.2.3 Wetlands Reserve Program (WRP): Wetlands created, restored or enhanced (acres)	Met
2.3 Reduce risk from catastrophic wildfire and restore fire to its appropriate place on the landscape	2.3.1 Percentage of total National Forest System land base for which fire risk is reduced through movement to a better condition class	Unmet
	2.3.2 Acres of Wildland Urban Interface (WUI) fuels treated to reduce the risk of catastrophic fire	Exceeded
	2.3.3 Percenatge of acres treated in the WUI that have been indentified in Community Wildfire Protection Plans	Met
Strategic Goal 3: Help America promote Agriculutral Production and Biotechnology Exports as America Works to Increase Food Security		
3.1 Ensure U.S. Agricultural Resources Contribute to Enhanced Global Security	3.1.1 Food Aid Targeting Effectiveness Ratio (percent)	Met
3.2 Enhance America's Ability to Develop and Trade Agricultural Products Derived From New Technologies	3.2.1 Cumulative number of genetically engineered plant lines reviewed by USDA and found safe for use in the environment	Unmet
Strategic Goal 4: Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals		
4.1 Increase Access to Nutritious Foods	4.1.1 Participation levels for major Federal nutrition assistance programs Supplemental Nutrition Assistance Program (SNAP) (millions per month)	Met
	4.1.2 Improve SNAP payment accuracy rate	Deferred
	4.1.3 Pariticipation levels for the major Federal nutrition assistance programs Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (millions per month)	
	• National School Lunch Program	Met
	• School Breakfast Program	Met
	4.1.4 Pariticipation levels for the major Federal nutrition assistance programs. (millions per month)	Met
4.2 Promote healthy diet and physical activity behavior	4.2.1 Application and usage level of nutritional guidance tools (billions of pieces of information)	Unmet
4.3 Protect Public Health by Ensuring Food is Safe	4.3.1 Overall public exposure to *Salmonella* from broiler carcasses.	Unmet
	4.3.2 Total illnesses from all Food Safety and Inspection Service (FSIS) regulated products	Unmet
	4.3.3 Percent of establishments with a functional food defense plan	Exceeded
4.4 Protect Agricultural Health by Minimizing Major Diseases and Pests Ensuring Access to Safe, Plentiful, and Nutritious Food	4.4.1 Value of damage prevented and mitigated annually as a result of selected plant and animal health monitoring and surveillance efforts ($ billions)	Met

Actions on Unmet and Deferred Goals

USDA continuously works to improve its performance across all of its strategic goals and objectives. Sometimes circumstances arise that result in the Department falling short of its goals. At other times, the Department consciously alters its approach in ways that enhance its service to the public, but that make a specific performance goal a less effective indicator of real progress.

The "Annual Performance Report" section of this report offers further discussion of the Department's actions on its goals, objectives, and performance measures.

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

Farmers and food companies operate in highly competitive markets, both domestically and internationally. Rapid shifts in consumer demands associated with quality, convenience, taste, and nutrition dictates that farming and marketing infrastructures become more fluid and responsive.

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

External factors that will challenge USDA's ability to achieve its goals include:

- Weather-related hardships and other uncontrollable events domestically and abroad;
- Domestic and foreign macroeconomic factors, including consumer purchasing power, the strength of the U.S. dollar, and political changes abroad that can impact domestic and global markets greatly at any time;
- Sharp fluctuations in farm prices, interest rates, and unemployment that could impact the ability of farmers, other rural residents, communities, and businesses to qualify for credit and manage their debts;
- The impact of future economic conditions and actions by a variety of Federal, State, and local Governments that will influence the sustainability of rural infrastructure;
- The increased movement of people and goods, which provides the opportunity for crop and animal pests and diseases, such as avian influenza and bovine spongiform encephalopathy, to move quickly across national and foreign boundaries;
- Potential exposure to hazardous substances, which may threaten human health and the environment, and the ability of the public and private sectors to collaborate effectively on food safety, security, and related emergency preparedness efforts;
- The risk of catastrophic fire, depending on weather, drought conditions, and the expanding number of communities in the wildland-urban interface; and
- Efforts to reduce hunger and improve dietary behaviors depend on strong coordination between USDA and a wide array of Federal, State, and local partners.

Financial Statement Highlights

BUDGETARY RESOURCES

USDA receives most of its funding from appropriations authorized by Congress and administered by the U.S. Department of the Treasury. Total budgetary resources consist of the balance at the beginning of the year, appropriations received during the year, spending authority from offsetting collections, and other budgetary resources. Total budgetary resources was $225.3 billion for FY 2010 compared to $208.7 billion in FY 2009, an increase of $16.6 billion.

The unobligated balance brought forward, including recoveries of prior year unpaid obligations, increased $4.5 billion, budget authority net of transfers and resources temporarily not available increased $30.1 billion. and budgetary resources permanently not available increased $18 billion.

	2010	2009	% Change
Total Budgetary Resources	$225,385	$208,761	8%
Obligations Incurred	$188,668	$170,508	11%
Net Outlays	$135,634	$121,759	11%

Data in millions

Obligations Incurred And Net Outlays

Obligations Incurred increased $18.1 billion in FY 2010. This increase is primarily due to a $16.3 billion increase at FNS for the Supplemental Nutrition Assistance (SNAP) program; a $6.3 billion increase at RD for ARRA; a $2.2 billion increase at FSA for disaster programs; offset by a $5 billion decrease at RMA for indemnities paid.

Net Outlays increased $13.8 billion in FY 2010, primarily in relation to the increase in obligations described above.

BALANCE SHEET

CONDENSED BALANCE SHEET DATA

	FY 2010	FY 2009	% CHANGE
Fund Balance with Treasury	$75,805	$72,334	5%
Accounts Receivable, Net	7,608	8,866	-14%
Direct Loan and Loan Guarantees, Net	89,405	85,657	4%
General Property, Plant and Equipment, Net	2,964	2,972	0%
Other	626	810	-23%
Total Assets	176,408	170,639	3%
Debt	87,915	84,119	5%
Loan Guarantee Liability	2,857	1,844	55%
Benefits Due and Payable	3,356	3,119	8%
Other	34,796	36,642	-5%
Total Liabilities	128,924	125,724	3%
Unexpended Appropriations	36,261	38,302	-5%
Cumulative Results of Operations	11,223	6,613	70%
Total Net Position	47,484	44,915	6%
Total Liabilities and Net Position	$176,408	$170,639	3%

As of September 30, 2010 and 2009
(in millions)

Total Assets

Total assets increased $5.7 billion in FY 2010. This increase is primarily due to an increase in Fund Balance with Treasury of $3.4 billion; an increase in Direct Loan and Loan Guarantees, Net of $3.7 billion; offset by a decrease in accounts receivable for the Tobacco Transition Payment Program at CCC of $807 million and premiums from Approved Insurance Providers at RMA of $395 million.

Direct Loan and Loan Guarantees, Net is the single largest asset on the USDA Consolidated Balance Sheet. RD offers both direct and guaranteed loan products for rural housing and rural business infrastructure. These represent 86 percent of the total USDA loan programs. Loan programs administered by the FSA represent 8 percent of the total. FSA provides support to farmers who are temporarily unable to obtain private, commercial credit. The remaining 6 percent represents commodity loans and credit programs administered by CCC. CCC's loans are used to improve economic stability and provide an adequate supply of agricultural commodities. CCC credit programs provide foreign food assistance, expand foreign markets and provide domestic low-cost financing to protect farm income and prices.

Total Liabilities

Total liabilities increased $3.2 billion in FY 2010. This increase is primarily due to a $3.7 billion increase in Debt, a $1 billion increase in Loan Guarantee Liability, offset by a $1.8 billion decrease in other liabilities.

Debt represents amounts owed primarily to the Treasury by CCC and RD. For CCC, the debt primarily represents financing to support Direct and Countercyclical, Crop Disaster, and Loan Deficiency programs. For RD, the debt primarily represents financing to support electric and housing loan programs.

Total Net Position

Total net position increased $2.5 billion in FY 2010. This increase is due to an increase in cumulative results of operations of $4.6 billion less $2 billion in unexpended appropriations.

Net Cost of Operations

CONDENSED STATEMENT OF NET COST

For the Years Ended September 30, 2010 and 2009
(in millions)

	FY 2010	FY 2009	% CHANGE
Goal 1: Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:	$20,611	$26,193	-21%
Goal 2: Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:	11,134	9,864	13%
Goal 3: Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:	2,856	1,510	89%
Goal 4: Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:	97,837	81,501	20%
Net Cost of Operations	$132,438	$119,068	11%

Net Cost of Operations

	2010	2009	% Change
Non-Federal Physical Property	$77	$87	-11%
Human Capital	$652	$595	10%
Research and Development	$2,307	$2,202	5%

Data in millions

Net cost of operations increased $13.3 billion in FY 2010. This increase is primarily due to increased participation in the SNAP program at FNS of $16.1 billion; an increase in disaster program payments at FSA of $2 billion; offset by decreased price support and indemnity payments at CCC and RMA of $3 billion and $3.6 billion, respectively.

Stewardship Investments

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation but are not physical assets owned by the Federal Government. When incurred, they are treated as expenses in determining the net cost of operations. However, these items merit special treatment so that users of Federal financial reports know the extent of investments that are made for long-term benefit. Such investments are measured in terms of expenses incurred for non-Federal physical property, human capital, and research and development.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b).

While the statements have been prepared from the books and records of the entity in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Financial Management Systems

The Financial Management Modernization Initiative (FMMI) Project was initiated to modernize USDA's outdated financial system technology. FMMI will replace the Corporate Financial Management System (CFMS), including the mainframe-based Foundation Financial Information System (FFIS), with Systems, Applications and Products Enterprise Resource Planning 6.0, migrating the current distributed, multi-instance mainframe system to a Federally compliant, consolidated, single-instance Web-based system. FMMI is operational and 74 percent complete. It has or will result in the following accomplishments:

- All corporate interfaces, including Payroll, Procurement, Travel and Property, are completed and deployed;
- Operational in 13 Departmental staff offices and 6 agencies. By the end of calendar year 2010, FMMI will be implemented in 4 more agencies;
- Processing 20 percent of total accounting transaction volume in the FMMI system, which will increase to approximately 40 percent during the next 6 months;
- More than 1,500 users conducting business in the system daily and another 1,750 will be added by early 2011;
- Data warehouse for financial statement, and standard and ad hoc reporting is in production; and
- On track for schedule, cost, and performance.

FMMI has the following key attributes:

- Integration with eGovernment Travel Services, ePayroll, Grants.gov, and eLoans; corporate solutions for which results must be reflected in the budgetary and general ledger accounts of the Department (e.g., asset management and procurement); and program-specific systems that support the general ledger;
- Integration with performance management and budgeting, allowing USDA to meet management's objects and Government and Performance Results Act requirements; and
- Compliance with FFMIA, including Federal financial management system requirements, applicable Federal accounting standards, and U.S. Government Standard General Ledger at the transaction level.

The FMMI project addresses the need for improved financial performance through a modern financial system that provides maximum support to the mission and USDA's financial objectives, including:

- Ensuring that financial management systems support data integrity, reliability, and consistency across the Department and for the community of direct users;
- Providing online, on-demand querying capabilities and access to reports for financial managers and, ultimately, program managers (new users);
- Ensuring that information and reports are clearly communicated and organized in a format that promotes understanding, and is directly relevant to the needs of end users;
- Providing technology that supports future growth and changes in requirements;
- Promoting USDA's credibility and trust with Congress, the Executive Office of the President, and the public by demonstrating full compliance with financial laws, regulations, and Federal financial standards, including maintaining an unqualified audit opinion;
- Ensuring that the investment advances the Department's strategic plan, including its responsiveness to the fulfillment of mandates such as Federal core financial management system requirements;
- Demonstrating the strategic use of USDA's human capital by supporting the realignment from

internally focused positions to decision support or citizen-facing roles, and enhancing workplace desirability for current and future financial employees;
- Demonstrating the strategic use of the Department's information technology (IT) by leveraging IT within USDA and across the Government to facilitate streamlining and unification of services; and
- Demonstrating good stewardship of public funds by securing the best performance and highest measure of accountability in the use of taxpayer dollars.

Systems, Controls, and Legal Compliance

Management Assurances

Statement of Assurance

The United States Department of Agriculture's (USDA) management is providing a qualified statement of assurance that its management has established and maintained effective internal controls over financial reporting and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA), with the exception of two material weaknesses in internal controls over financial reporting and one financial system non-conformance. Management is providing reasonable assurance that the internal controls over operations are effective. The details of the exceptions are provided in the FMFIA and the Federal Financial Management Improvement Act (FFMIA) sections of this report.

USDA conducted an assessment of its financial management systems and internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2010, and financial reporting as of June 30, 2010, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Office of Management and Budget (OMB) Circular A-123, "Management's Responsibility for Internal Control."

Other than the exceptions noted, USDA financial management systems conform substantially with the objectives of FMFIA and the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal control over 1) the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2010, and 2) financial reporting as of June 30, 2010. The Department identified violations of the Antideficiency Act that were not considered chronic or significant. Rural Development loan disbursements were made beyond their statutory time limitations for the Rural Utilities Service Broadband Program. Commodity Credit Corporation entered into contracts administered by Farm Service Agency for matching agreements that extended beyond the period of performance authorized by Office of Management and Budget's apportionment for the Biomass Crop Assistance Program. The letters reporting these violations are pending clearance by Department officials.

Thomas J. Vilsack
Secretary of Agriculture
November 15, 2010

Federal Managers' Financial Integrity Act Report on Management Control

BACKGROUND

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

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

USDA annually evaluates its internal controls over financial reporting in accordance with Office of Management and Budget (OMB) Circular A-123, "Management's Responsibility for Internal Control," Appendix A, "Internal Control Over Financial Reporting" (A-123, Appendix A).

The Department operates a comprehensive internal control program. This program ensures compliance with the requirements of FMFIA and other laws and OMB Circulars A–123, Appendix A, and A–127, "Financial Management Systems." All USDA managers must ensure that their programs operate efficiently and effectively, and comply with relevant laws. They must also ensure that financial management systems conform to applicable laws, standards, principles, and related requirements. In conjunction with the Office of Inspector General (OIG) and the Government Accountability Office (GAO), the Department's management works aggressively to determine the root causes of its material weaknesses so that it can direct resources to focus on their remediation.

USDA remains committed to reducing and eliminating the risks associated with its deficiencies. It also strives to efficiently and effectively operate its programs in compliance with FMFIA.

FY 2010 Results

USDA has two existing material weaknesses: Information Technology and Financial Reporting – Unliquidated Obligations. There is one system non-conformance: Funds Control Management. Thus, the Secretary's Statement of Assurance provides qualified assurance that USDA's system of internal controls complies with FMFIA objectives. The following exhibit summarizes the results reported in USDA's Consolidated Financial Statements Audit Report.

Exhibit 3: Summary of Financial Statement Audit

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

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

Exhibit 4: Summary of Management Assurances

Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Qualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Information Technology	1					1
Financial Reporting – Unliquidated Obligations	1					1
Financial Reporting – Credit Reform	1				1	
TOTAL MATERIAL WEAKNESSES	3				1	2
Effectiveness of Internal Control Over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
TOTAL MATERIAL WEAKNESSES						
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Qualified					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Funds Control Management	1					1
TOTAL NON-CONFORMANCE	1					1
Compliance with Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
Overall Substantial Compliance	No			No		
1. System Requirements	No				No	
2. Accounting Standards	No				No	
3. United States Standard General Ledger at Transaction Level	No				No	
4. Information security policies, procedures, and practices	No				No	

Material Weakness Reassessed and Downgraded

Financial Reporting – Credit Reform — This weakness was reassessed and downgraded to a significant deficiency. During FY 2010 RD completed the following actions:

- Ensured that second party review procedures are performed and documented by personnel independent of those preparing the assumption curves;
- Established process improvements for version control related to the curves;
- Evaluated automation support to determine feasibility of performing curve calculations systematically; and
- Determined the reasonableness of the curves for re-estimation purposes that focused on the accuracy of the calculations and portfolio trends.

Summary of Outstanding Material Weaknesses

<table>
<tr><td rowspan="2">Material Weakness Existing</td><td>1. USDA Information Technology (IT)</td><td>Overall Estimated Completion Date</td><td>FY 2011</td></tr>
<tr><td colspan="3">Internal control design and operating effectiveness deficiencies occurred in four areas: logical access controls, configuration management, physical access and environmental protection, and disaster recovery. These deficiencies represent an overall IT material weakness.</td></tr>
<tr><td colspan="2">FY 2010 Accomplishments:</td><td colspan="2">FY 2011 Planned Actions:</td></tr>
<tr><td colspan="2">Expanded encryption to include mobile media, such as thumb drives, by the end of the fiscal year;
Finalized deployment of the Department-wide end-point management tool;
Expanded the Department-wide Security Operations Center, incorporating 24/7 border protection and monitoring, end point compliance, and improved incident response processes;
Established improved and sustainable processes and procedures for identity and access management;
Standardized the configuration management and change control processes through improved processes and procedures;
Improved the A-123, Appendix A, and FISMA monitoring and reporting process to ensure weaknesses are timely identified and corrected; and
Established functional disaster recovery site for mainframe and critical mid-range systems.</td><td colspan="2">Implement the "Getting to Federal Information Security Management Act (FISMA) Green" and the Office of Inspector General "Get Healthy" Plans;
Continue leveraging cyber security assessment and management system (CSAM) and the monthly FISMA scorecard to manage information technology security program compliance and oversight;
Continue using CSAM to implement Continuous Monitoring and automate the Concurrency Review process;
Continue using Security Metrics and agency program reviews to measure agency Security Program compliance and maturity;
Monitor compliance with the Department's IT security regulations;
Develop the Department-wide Privilege Management Plan;
Implement Digital Signature and Encryption Plans;
Complete Identity Credential Access Management technical infrastructure;
Continue Departmental initiatives to establish and fund alternate "hot sites" for Service Center Agencies; and
Continue Departmental training and oversight activities to ensure effective Continuity of Operations for all systems.</td></tr>
</table>

<table>
<tr><td rowspan="2">Material Weakness Existing</td><td>2. Financial Reporting – Unliquidated Obligations</td><td>Overall Estimated Completion Date</td><td>FY 2011</td></tr>
<tr><td colspan="3">Lack of consistent review and follow-up on unliquidated obligations (ULO). (Department and NRCS)</td></tr>
<tr><td colspan="2">FY 2010 Accomplishments:</td><td colspan="2">FY 2011 Planned Actions:</td></tr>
<tr><td colspan="2">Developed and shared executive scorecard with the Chief Financial Officer Council to present obligations inactive for 12 months by major category;
Initiated fast-track action to deobligate balances with no activity in 2 years through the ULO workgroup;
Assembled a team of subject matter experts for contracts and grants to analyze deobligation/closeout processes to determine the root causes of invalid unliquidated contract and grant obligations;
Analyzed risk and controls objectives for the closeout process and established minimum control activities to lead to timely deobligation and closeout of grants;
Established procedures to process final Greenbook billings in FMMI annually by September 30 and automatically deobligate any remaining balances; and
Developed weekly reports to track overdue unsubmitted travel vouchers and began monitoring agencies performance to improve timeliness of voucher submissions.</td><td colspan="2">Department will:
Revise policies, procedures, and processes to improve the management, review, and close out of ULOs;
Conduct training on new processes to manage, review, and close out ULOs;
Monitor implementation of agencies' corrective action plans; and
Work with USDA agencies to complete cleanup of obligations recorded in FFIS and FMMI.
NRCS will:
Create a risk-based statistical sample that segments the obligation population, then select samples for testing and perform testing on a quarterly basis;
Increase accountability by including an unliquidated obligation performance objective in the performance plans of State Conservationists;
Provide training for open obligation reviews that address audit findings; and
Publish procedures for fund certification, upward and downward adjustments, monitoring of unliquidated obligations, and obligation/close outs.</td></tr>
</table>

SUMMARY OF OUTSTANDING SYSTEM NON-CONFORMANCE

<table>
<tr><td rowspan="2">System Non-Conformance Existing</td><td>1. Funds Control Management</td><td>Overall Estimated Completion Date</td><td>FY 2012</td></tr>
<tr><td colspan="3">System improvements needed in recording obligations at the transactions level. (CCC)
Non-compliance with Federal Financial Management Improvement Act of 1996. (NRCS)</td></tr>
<tr><td colspan="2">FY 2010 Accomplishments:</td><td colspan="2">FY 2011 Planned Actions:</td></tr>
<tr><td colspan="2">• CCC:
• Enhanced the use of the Electronic Funds Management System (eFMS) by incorporating transaction level obligations for the Tobacco Transition Payment Program, and Direct Payments, that check funds availability at the time of obligation;
• Implemented Web-based Supply Chain Management (WBSCM) to integrate obligation transactions for the CCC Commodity Operations programs into eFMS for the programs currently "live" or deployed in WBSCM; and
• Completed planning phase and began software and acquisition phase of the Modernize and Innovate the Delivery of Agriculture Systems (MIDAS) project.
• NRCS:
• Issued final policy on reimbursable agreements, open obligations, accruals, capital leases, internal use software, and unfilled customer orders.</td><td colspan="2">• CCC:
• Incorporate transaction level obligations for the Conservation Reserve Program (CRP) Annual Rental program as well as additional Farm Programs as they are implemented;
• Continue to incorporate WBSCM programs into eFMS as those programs are moved from the Processed Commodities Inventory Management System (PCIMS) to WBSCM; and
• Continue to develop the MIDAS project, and to make sure financial requirements are clearly captured in the design of this system.
• NRCS:
• Obtain United States Standard General Ledger (USSGL) posting models to appropriately record transactions without reclassification; includes easements and advances;
• Revise process and procedures to capture and properly report in the Statement of Net Costs in accordance with U.S. generally accepted accounting principles (GAAP); and
• Revise process and procedures to record and report on stewardship, property, plant, and equipment as required by Statement of Federal Financial Accounting Board (SFFAS) 29.</td></tr>
</table>

Federal Financial Management Improvement Act Report on Financial Management Systems

BACKGROUND

The Federal Financial Management Improvement Act (FFMIA) is designed to improve financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of Federal programs. FFMIA requires that financial management systems provide reliable, consistent disclosure of financial data in accordance with generally accepted accounting principles and standards. These systems must also comply substantially with: 1) Federal Financial Management System requirements; 2) applicable Federal accounting standards; and 3) the USSGL at the transaction level. Additionally, the FISMA requires that there be no significant weaknesses in information security policies, procedures, or practices to be substantially compliant with FFMIA. The following exhibit contains the outstanding initiatives to achieve compliance.

Exhibit 5: Initiatives To Be Completed

Outstanding Initiatives to Achieve FFMIA Compliance			
Initiative	Section of Non-compliance	Agency	Target Completion Date
Information Technology[1]	Federal Financial Management System requirements, and Information security policies, procedures, and/or practices.	Multiple	9/30/2011
Funds Control Management	Federal Financial Management System requirements.	CCC	12/30/2012

Outstanding Initiatives to Achieve FFMIA Compliance			
Initiative	Section of Non-compliance	Agency	Target Completion Date
	Federal Financial Management System requirements, Federal Accounting Standards, and U.S. Standard General Ledger at the transaction level.	NRCS	4/15/2011

[1] The information technology material weakness, which is reported in the Federal Managers' Financial Integrity Act Report on Management Control, is comprised of four issues: logical access controls, configuration management, physical access and environmental protection, and disaster recovery.

FY 2010 Results

During FY 2010, USDA evaluated its financial management systems to assess substantial compliance with the act. In assessing FFMIA compliance, the Department considered auditors opinions on component agencies' financial statements, and progress made in addressing the material weaknesses identified in the FY 2009 Performance and Accountability Report. The Department is not compliant with Federal Financial Management System requirements, Federal accounting standards, and the standard general ledger at the transaction level. Additionally, as reported in the FMFIA section of this report, USDA continues to have weaknesses in information technology controls that result in non-compliance with the FISMA requirement. As part of USDA's financial systems strategy, USDA agencies continue working to meet FFMIA and FISMA objectives.

Forest Service mitigated deficiencies related to its systems and methodologies to comply with USSGL at the transaction level.

Federal Financial Management System Requirements

CCC continues to develop a fully integrated funds control system, eFMS, within the FSA/CCC core financial management system. This work includes integration with CCC's general ledger system at the transaction level. The eFMS system will also provide management with timely information to monitor and control the status of budgetary resources recorded in the general ledger.

FY 2010 accomplishments include:

- Enhanced use of eFMS by incorporating transaction level obligations for the Tobacco Transition Payment Program, and Direct Payments, that check funds availability at the time of obligation;
- Implemented WBSCM to integrate obligation transactions for CCC Commodity Operations programs into eFMS for the programs currently "live" or deployed in WBSCM; and
- Completed planning phase and began software and acquisition phase of MIDAS.

In FY 2011, CCC will:

- Incorporate transaction level obligations for CRP Annual Rental Program as well as additional Farm Programs as they are implemented;
- Continue to incorporate WBCSM programs into eFMS as those programs are moved from the Processed Commodities Inventory Management System to WBSCM; and
- Continue to develop the MIDAS Program, and to make sure financial requirements are clearly captured in the design of this system.

In FY 2012, CCC will:

- Complete software modifications to Web-based program applications to send obligation transactions for CCC Farm Programs;
- Implement FMMI for FSA/CCC program activity; and

- Complete Initial Operating Capability for FSA's MIDAS.

NRCS continues working to mitigate auditor-identified deficiencies. Financial management systems do not substantially comply with Federal Financial Management System Requirements, the USSGL at the transaction level, and applicable Federal Accounting Standards for obligations; accruals; capital leases and internal use of software as part of property, plant, and equipment; and unfilled customer orders. Deficiencies were also noted regarding proper use of USSGL.

FY 2010 accomplishments included:

- Issued final policy on internal controls, reimbursable agreements, obligations, accruals, real and personal property, capital leases, internal use software, and unfilled customer orders.

In FY 2011, NRCS will:

- Review and enhance A-123, Appendix A program for open obligations, unrecorded obligations, and non-referencing transactions, including feedback to reporting entities;
- Provide training for open obligations review based on quarterly certifications process, audit exceptions and A-123 findings; and
- Develop procedures on funds certification.

ELIMINATING IMPROPER PAYMENTS

The Improper Payments Information Act (IPIA) of 2002 is designed to identify programs susceptible to significant improper payments and reduce the amount and number of erroneous payments. IPIA's goal is to improve the integrity of the government's payments and the efficiency of its programs and activities.

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

IPIA requires that agencies measure their improper payments annually, establish reduction targets and corrective action plans, and track the results to ensure that the corrective actions are effective. USDA's Office of the Chief Financial Officer (OCFO) issued specific policy guidance including templates and timelines for implementing IPIA. USDA continues to make progress in accurately measuring and reporting improper payments, developing and implementing corrective actions, and recovering improper payments.

USDA's improper payment error rate of 5.37 percent for FY 2010 declined from 5.92 percent in FY 2009. However, due to a $21.5 billion increase (30 percent) in high risk program outlays from FY 2009 to FY 2010, USDA's estimated improper payments amount were $5.0 billion for FY 2010, an increase from $4.3 billion in FY 2009. The increase in outlays was largely attributable to the increase in demand for food and nutrition assistance due to the economic downturn. The FY 2010 results demonstrate that improper payment error rates are being reduced and progress is being made:

- Seven USDA high risk programs reported improper payment error rates below their FY 2009 error rate;
- Six USDA high risk programs, representing 61 percent of USDA's total high risk program outlays, reported error rates below their reduction targets in FY 2009. This exceeded USDA's goal of

achieving reduction targets for 50 percent or more of the Department's total high risk program outlays;

- FS' Wildland Fire Suppression Management Program error rate of 0.00 percent was below its reduction target of 0.02 percent and equal to its FY 2009 error rate of 0.00 percent;
- FNS' SNAP error rate of 4.36 percent was below its reduction target of 5.00 percent, and below its FY 2009 error rate of 5.01 percent. The SNAP error rate is a historic low for the program. This is the sixth year in a row the program's error rate has been less than 6 percent;
- FNS' Child and Adult Care Food Program error rate of 0.99 percent was below its reduction target of 1.46 percent, and below its FY 2009 error rate of 2.07 percent;
- FNS' National School Lunch Program (NSLP) error rate of 16.28 percent was below its FY 2009 error rate of 16.44 percent; however, this was above its reduction target of 15.60 percent;
- FNS' Special Supplemental Nutrition Program for Women, Infants and Children error rate of 1.17 percent was below its FY 2009 error rate of 1.27 percent; however, this was above its reduction target of 0.80 percent;
- RD's Rental Assistance Program error rate of 1.39 percent was below its reduction target of 2.00 percent, and below its FY 2009 error rate of 2.06 percent;
- FSA's Market Assistance Loan Program error rate of 0.81 percent was below its reduction target of 1.50 percent, and below its FY 2009 error rate of 2.56 percent;
- FSA's Loan Deficiency Payments Program error rate of 0.44 percent was below its reduction target of 0.60 percent; and
- FSA's Noninsured Assistance Program error rate of 11.65 percent was below its FY 2009 error rate of 14.18 percent; however, this was above its reduction target of 9.22 percent.

The root causes of improper payments are summarized into the error categories of verification, authentication, and administrative. Verification errors relate to verifying recipient information such as earnings, income, assets, work status, etc. Authentication errors relate to authenticating the accuracy of qualifying for program specific requirements, criteria, or conditions. Administrative errors relate to the accuracy of the entry, classification, or processing of information associated with applications, supporting documents, or payments.

For FY 2010, the root causes of USDA improper payments were categorized as:

- 49 percent attributable to verification error; and
- 51 percent attributable to administrative error.

USDA establishes improper payment recovery targets for high risk programs, where appropriate, and actively collects recoveries. Actions taken by USDA during FY 2010 include:

- Implemented Departmental High-Dollar Quarterly Report of improper payments identified in high-risk programs and actions taken by agencies to recover overpayments;
- Developed and provided additional error measurements with semi-annual reporting, designated a Senate-confirmed appointee as the Accountable Official, and provided an Annual Accountable Official Report to the USDA Inspector General for the USDA high-priority programs (SNAP and NSLP);
- Provided Departmental improper payments information for the Government-wide PaymentAccuracy.gov Web site that includes key indicators and statistics by program;
- Completed 32 risk assessments for 32 programs in FY 2010 as scheduled on a three year cycle. No new programs were declared high risk as a result of the risk assessments;
- Recovered $310 million in improper payments, exceeding the Departmental recovery target of $54 million;

- Analyzed requirements and impacts of S. 1508, Improper Payments Elimination and Recovery Act of 2010, and provided comments to OMB;
- Participated in OMB workgroups established under Executive Order (EO) 13520 "Reducing Improper Payments" to research specific topics identified in the EO and made recommendations to OMB on actions to aid Federal agencies in reducing improper payments; and
- Led the Executive Order (EO) 13520, "Reducing Improper Payments," Forensic Accounting and Auditing Workgroup. The workgroup submitted recommendations to OMB for utilizing forensic accounting and auditing techniques to prevent improper payments.

USDA's goal is to continue to achieve error reduction and recovery targets established for FY 2011. In addition to meeting the requirements of the IPIA, USDA is preparing to implement the new requirements of EO 13520, the Presidential Memorandum "Enhancing Payment Accuracy Through a 'Do Not Pay List,'" the Presidential Memorandum "Finding and Recapturing Improper Payments," and the Improper Payments Elimination and Recovery Act (IPERA) of 2010.

USDA's actions planned for FY 2011 include:

- Develop a Departmental action plan outlining the requirements and actions necessary to implement IPERA; EO 13520, "Reducing Improper Payments"; and the other new Government-wide requirement to reduce, eliminate, and recover improper payments;
- Develop and implementing policies, controls, procedures, and checklists at appropriate levels to reduce the number of improper payments;
- Create aggressive correction plans that target the verification and administrative root causes of errors and address internal control issues for each program;
- Provide training to field personnel and cooperative partners that address specific issues found in internal controls, control procedures, and the potential risks of noncompliance;
- Sustain accountability at all levels by incorporating the employee's individual results into their annual performance evaluations;
- Provide grants and technical assistance to State agencies aimed at simplifying the application and eligibility determination systems of SNAP;
- Provide Departmental criteria for statutory, technical, and other functionality of the Government-wide "Do Not Pay List" Web site being developed to allow agencies to verify eligibility against multiple databases before grants, contract, benefit award, and/or payments are issued;
- Issue a Departmental payment recapture/recovery auditing contract available to all programs to address IPERA requirements for identifying and recovering overpayments; and
- Participate in interagency workgroups to assist OMB in developing Government-wide guidance for implementing IPERA, EO 13521, and other initiatives to reduce improper payments and recover overpayments.

Section 2.
Annual Performance Report

The mission of the United States Department of Agriculture (USDA) is to provide leadership on food, agriculture, natural resources, and related issues based on sound public policy, the best available science, and efficient management.

The Department has established strategic goals to fulfill this vital mission. The goals were introduced in USDA's *Strategic Plan Fiscal Year 2010-2015* (usda.gov, see "About USDA"). The goals are:

1. To Assist Rural Communities to Create Prosperity So They are Self-Sustaining, Repopulating, and Economically Thriving;
2. To Ensure Our National Forests and Private Working Lands are Conserved, Restored and Made More Resilient to Climate Change, While Enhancing Our Water Resources;
3. To Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security; and
4. To Ensure That All of America's Children Have Access to Safe, Nutritious, and Balanced Meals.

This Annual Performance Report section of the Performance and Accountability Report (PAR) is organized by the Department's strategic goals. The goals are then divided by objectives, which are supported by performance measures. These measures track activities and determine if a program met targets for the fiscal year (FY) just ended that were established at the beginning of the year and published in USDA's Annual Performance Plan. When performance targets are unmet, an explanation is provided.

Strategic Goal 1: Assist Rural Communities to Create Prosperity So They are Self-Sustaining, Repopulating, and Economically Thriving

USDA is the leading advocate for rural America. The Department supports rural communities and enhances quality of life for rural residents by improving their economic opportunities, community infrastructure, environmental health, and the sustainability of agricultural production. The common goal is to help create thriving rural communities where people want to live and raise families, and where the children have economic opportunities and a bright future.

USDA revitalizes rural communities by expanding economic opportunities and creating jobs for rural residents. The Department, in cooperation with its public and private partners, is connecting rural residents to the global economy. USDA is expanding access to broadband to unserved and underserved communities; promoting rural leadership in sustainable renewable energy development; creating new opportunities for small agricultural producers to market their products by developing local and regional food systems; ensuring that rural residents capitalize on potential opportunities presented by the Nation's efforts to develop markets for ecosystem services and mitigate climate change; and generating jobs through recreation and natural resource conservation, restoration, and management in rural areas.

USDA operates job training and business development programs that give rural residents the tools and capacity to access markets and enter the green economy.

The Department is working to enhance the livability of rural communities. USDA uses 21st century technology to rebuild infrastructure, ensure that rural residents have decent housing, and homeownership opportunities, clean water, adequate systems for handling waste, reliable electricity and renewable energy systems, and critical community facilities including healthcare centers, schools, and public safety departments. USDA also helps communities invest in strategic green-infrastructure planning and protection of critical natural resources.

Objective 1.1 Enhance Rural Prosperity

1.1.1 Number of jobs created or saved through USDA financing of business

Overview

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

The Department provides capital to enable rural businesses to participate in the global economy. A primary program furthering this goal is the Business and Industry Guaranteed Loan Program (B&I). B&I provides capital in the form of loan guarantees designed to improve, develop, or finance business, industry, and employment, and to improve the economic and environmental climate in rural communities. This is achieved by bolstering the existing private credit structure through the guarantee of quality loans, which provide lasting community benefits. During FY 2010, B&I obligated approximately $1.4 billion in guaranteed loans, and assisted in the creation of approximately 21,000 jobs in a struggling economy. B&I also obligated $1.6 billion in American Recovery and Reinvestment Act of 2009 (ARRA) stimulus funds that created or saved more than 33,000 jobs for rural Americans.

USDA's grants to under-resourced rural communities help improve local infrastructure or expertise to attract new businesses, and maintain appeal to local residents. For instance, while rural improvements are usually funded by special local business tax assessments, these assessments may not be affordable in marginally viable areas. When companies looking to relocation need special skill sets, USDA grants can fund small targeted job-training programs. In addition to B&I, Rural Business and Cooperative Programs offer a full menu of economic development loan and grant options. These options are delivered through cooperatives, non-profit organizations, institutions of higher learning, local and tribal governments, and other rural business and economic development stakeholders. These programs increase access to capital and business based services for rural communities and finance infrastructure to assist with business development.

The Rural Energy for America Program provides grants and loan guarantees to rural residents, agricultural producers, and rural businesses. These guarantees can be used for energy efficiency and renewable energy systems, energy audits, and technical assistance. The program funds projects ranging from biofuels to wind, solar, geothermal, methane gas recovery, advanced hydro, and biomass.

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

Analysis of Results

USDA exceeded the target for this performance measure. The number of jobs created or saved is linked directly to the amount of total available funding, amounts obligated and disbursed to awardees, and local economic conditions. ARRA funds helped USDA exceed the target. Annual job targets are based on historic program operations, subsidy rates, and annual appropriations. The target job numbers assume a level funding horizon and timely allocations of funds without regard to the potential impact of major natural disasters. Budget authorities, subsidy rates, and program levels vary annually. Recently, these factors resulted in a general decline in annual job numbers. The targets, results, and usage of funds for USDA programs fulfilled expectations. Remaining program funds will be carried over into FY 2011, and will continue to provide benefits to rural communities.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
1.1.1 Number of jobs created or saved through USDA financing of businesses.	71,715	72,710	72,907	68,969	74,005[1]	128,808	Exceeded

[1]The target in the Annual Performance Plan, 72,369, was revised upward to 74,005 to reflect actual performance in FY 2009, as final numbers were unavailable when the Annual Performance Plan was drafted. The performance data for FY2008 and FY2009 were revised to reflect updated performance figures.

Rationale for Met Range: Job projected data are gathered when projects are obligated in the Guaranteed Loan System (GLS) data warehouse based on a formula driven by historic results. Final job counts are verified on closing the loan and grant.

Data Assessment of Performance Measure 1.1.1

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

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

Challenges for the Future

Rural economies face many challenges, including:

- Land development pressure and regulatory influences;
- Low profit margins on commodity sales, yet strong competition from commodities produced overseas;
- Large-scale changes in technology; and
- A lagging national economy.

Rural areas typically have underdeveloped public services that make it difficult to attract or retain businesses. The lack of public funding for amenities which are common in urban areas, such as dedicated business parks or expanded transportation links, creates additional challenges. Furthermore, a persistent lack of well paying job opportunities (and the related local tax base ramifications) places many rural county and municipal governments under great stress as they attempt to meet the community development and human services needs of their constituents.

1.1.2 Number of borrowers/subscribers receiving new or improved telecommunication services (broadband) (millions)

Overview

USDA's telecommunications program provides loans and grants specifically targeted for the deployment of broadband service in small towns and communities. Utilizing advanced telecommunications services, the program is a powerful tool in building strong rural economies, and increasing educational and healthcare services in rural communities across the country. The telecommunications program finances broadband services that support the economic growth of rural communities, including the creation or retention of rural businesses and jobs. All facilities financed must be capable of providing high-speed Internet services.

The telecommunications program provides direct support to prospective loan and grant applicants through the general field representatives who live and work in the rural communities that they serve. In cooperation with USDA state offices, field and headquarters staff conduct outreach. This work increases awareness of and participation in the program's broadband loan and grant program and the broadband initiatives program of ARRA. It provides funding to ensure that farmers continue to contribute to local economies, take steps to build and preserve critical infrastructure in communities across America, and implement new resource conservation measures.

Analysis of Results

The telecommunications program met the FY 2010 performance target for number of borrowers/subscribers receiving new and/or improved telecommunication services (broadband).

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
1.1.2 Number of borrowers/subscribers receiving new and/or improved telecommunication services (broadband)(millions)	0.30	0.36	0.78	0.19	0.71[1]	0.66	Met

[1]The 2009 figure includes ARRA funds. The FY 2010 Annual Performance Plan figure was calculated without ARRA funds. The amount reported in the FY 2009 PAR was recalculated for FY 2010.

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

Data Assessment of Performance Measure 1.1.2

- **Completeness of Data** — The county data are collected from each approved loan application. Applicants are required to detail their proposed service territories. This includes the number of subscribers to be served in the location by county. Loan funds are advanced only for approved purposes. Measuring the extent to which broadband service is deployed in rural America on a county-by-county basis will enable USDA to assess improved economic conditions because of the availability of high-speed telecommunications network access for residents and business. The data on the number of counties to be served for each loan are derived from applicants' loan applications. Data must be complete before loans can be approved.
- **Reliability of Data** — While applicants are required to perform market surveys of their proposed service areas, the actual counties served may vary from the plan if all funds are not used, or the borrower later requests a change of purpose from the original loan application. Overall, the data on counties served are reliable.
- **Quality of Data** — All applications undergo an extensive review to determine eligibility. Additionally, all approved applications must show feasibility from a financial and technical standpoint. Applicants also are required to perform market surveys of their proposed service areas. Therefore, the data are reliable. As previously noted, the data on the number of counties to be served for each loan approved come from the applicant's loan application. The data depend on the borrower drawing down loan funds and constructing the system as portrayed in the applicant's loan design. Loan funds only may be used for the approved purposes for which the loan was made. Variance may result if a borrower does not draw down all loan funds or request approval for a change of purpose from the original loan. This could result in a different number of counties served from the number specified in the plan.

Challenges for the Future

ARRA provided an additional $3.5 billion in funding for broadband projects. The hundreds of new ARRA broadband projects must be monitored to ensure completion of the projects within the required timeframe.

The Department will continue to coordinate with the U.S. Federal Communications Commission as it prepares for the implementation of the National Broadband Plan. The plan is designed to ensure that all Americans have access to broadband.

Objective 1.2 Create Thriving Communities

1.2.1 Number of borrowers/subscribers receiving new or improved service from agency funded water facility (millions)

Overview

The water and environmental programs play a leading role in providing rural communities with modern, affordable water and waste disposal services. These programs direct technical and financial program resources to rural communities with the greatest need. These communities may be poverty-stricken because of out-migration, natural disasters, or economic stress.

Analysis of Results

The water program exceeded the performance target for number of borrowers/subscribers receiving new and/or improved service from USDA-funded water facilities. The target for the water program was calculated without ARRA funds, but the program received ARRA funding in addition to regular funding. Thus, the target was exceeded by 1.5 million borrows/subscribers.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
1.2.1 Number of borrowers/subscribers receiving new or improved service from agency funded water facility (millions).	1.7	1.3	4.4	4.2[1]	3.4[2]	4.9	Exceeded

[1,2]The 2009 figure includes ARRA funds; the FY 2010 Annual Performance Plan figure was calculated without ARRA funds. The amount reported in the FY 2009 PAR was recalculated for FY 2010.

Rationale for Met Range: Annual targets for this measure are based on historic activity and adjusted according to program level received each fiscal year. Also, ARRA performance goals were set, based on the amount of funding provided for the program level according to historical activity. Met range represents a 5 percent deviation from target.

Data assessment metrics to meet the target allow for an actual number in the range 3,122,010 – 3,524,850.

Data Assessment of Performance Measure 1.2.1

- **Completeness of Data** — The Water and Environmental Programs (WEP) collects data initially through the Community Programs Application Processing (CPAP) system. CPAP is a non-financial system in which the agency field staff input data about applicants, borrowers, funding and services provided. The data obligations flow through the Rural Utilities Loan Servicing System, to the Program Loan Accounting System, and through a data server to a data warehouse.
- **Reliability of Data** — USDA's data warehouse stores historical information on Department programs and such non-agency data as census information. Program data are downloaded to the warehouse every evening from several accounting databases. Data generally are current through the previous day. The warehouse provides data about obligations and can be used to measure the number of loans, loan amounts, number of borrowers and funds advanced. The warehouse is an easy, accessible online method of extracting information and data for reports and analyses.
- **Quality of Data** — Based on information in CPAP, the number of subscribers receiving new or improved water or wastewater service can be extrapolated from the data warehouse. The WEP National Office and USDA field offices use data from CPAP, the data warehouse, and Department accounting systems to review or evaluate the financial, operational, and managerial programs of the utilities serving rural customers.

Challenges for the Future

Rural communities must invest in modern water and wastewater facilities to attract families and businesses vital to thriving communities. The communities must decide how to balance investing in new facilities to serve new or proposed customers, with investing in upgrades to facilities that serve existing customers. They must weigh growing their customer base, controlling costs, and modernizing aging facilities. Gaining access to credit markets and leveraging funds from Federal, State, and private sources will continue to challenge rural communities.

1.2.2 Homeownership opportunities provided

Overview

USDA provides homeownership opportunities through the Single Family Housing Direct and Guaranteed Programs. These programs provide homeownership opportunities to low- and moderate-income rural Americans through several loan, grant, and loan guarantee programs. The programs also make funding available to individuals to finance vital improvements necessary to make their homes decent, safe, and sanitary.

Revitalization of rural communities through the recovery of the ailing housing market is essential to a healthy national economy. USDA's Direct and Guaranteed Loan Programs have helped to fill the void as private mortgage lenders pulled back from financing homes for very low, low- and moderate-income families. The Department provided record numbers of homeownership opportunities to rural families with direct loans or Government guarantees during FY 2010.

Analysis of Results

The housing programs exceeded targets for the number of homeownership opportunities provided. As a result of current mortgage credit markets, demand for guaranteed loans has increased. ARRA provided the Single Family Housing Direct and Guaranteed Programs with more than $11.6 billion.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
1.2.2 Homeownership opportunities provided							
• Guaranteed Loans	31,131	35,322	62,933	133,045	97,000	121,537	Exceeded
• Direct Loans	12,326	11,448	10,179	12,150	9,030	16,200	Exceeded
• Total	43,457	46,770	73,112	145,195	106,030	137,737	

Variance in totals between the Annual Performance Plan and the PAR is due to infusion of ARRA funds.

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

Data Assessment of Performance Measure 1.2.2

- **Completeness of Data** — Homeownership data are complete and final. Homeowenrship data are entered in the Web-based DLOS. This centralized server application ensures viable data collection. It tracks performance and can be used to forecast needs. Information is entered into UniFi and uploaded nightly to the MortgageServe System. This system obligates funds, establishes closed loans, administers escrow accounts, and performs other administrative functions. Hyperion, a query and reporting tool, serves as the interface between the data warehouse and USDA staff.
- **Reliability of Data** — Homeownership data originate in systems used to obligate funding and are reliable. Data for initial placement of households into their own homes are reliable. They are linked directly to homeownership loans maintained in USDA's financial accounting systems. No adjustments are made for later defaults and the resulting loss of homeownership.
- **Quality of Data** — Homeownership data are based on loan obligations collected in DLOS, and stored in USDA's Data Warehouse. Thus, the data on the number of households are auditable. Data represent the popultion served based on the available U.S. Census Data.

Challenges for the Future

The demand for guaranteed loans is at an all time high and USDA is providing unprecedented support for the loan program.

To meet the demands of this challenging market environment, USDA is developing the necessary tools of automation and training. A comprehensive loan system designed to streamline the application and loan approval process for a number of Department loan and grant programs is under development. Improvements to USDA's automation products will increase capacity and allow lenders, partners, and remotely located employees to interface with other data systems. These changes will increase the speed and efficiency of operations.

While economic growth is needed to help America's housing market recover, USDA's housing programs will continue to play a central role in providing funding and support to the many rural Americans still in need of adequate, safe, and affordable housing.

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

Overview

USDA's Community Facilities (CF) Programs provide loans, grants, and loan guarantees for water and environmental projects, as well as community facilities projects. CF demand exceeded that for previous years. The Department attributes the increased demand to the lack of credit available for the capital needs of rural communities.

Analysis of Results

The programs exceeded goals in each category. Across all areas of the program, USDA touched roughly one-quarter of all rural Americans. Some of the CF projects received ARRA funds.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
1.2.3 Percentage of customers who are provided access to new and/or improved essential community facilities							
• Health Facilities	3.8	7.2	4.8	5.4	5.0	5.5	Exceeded
• Safety Facilities	3.8	6.2	5.7	5.0	5.4	6.0	Exceeded

Rationale for Met Range: It is a challenge to measure the range of residents served because grants may vary widely, even within a category. One grant for a fire engine, for example, may serve 1,000 people, whereas another grant for a similar amount for a healthcare project might serve 10,000. Therefore, USDA would consider its 2010 goal unmet if CF serves fewer than 4.7 percent of the rural population with new healthcare facilities and provides new fire, rescue and public safety facilities for less than 5.1 percent of the rural population. The ranges include all CF program funding, including ARRA funds.

Data Assessment of Performance Measure 1.2.3

- **Completeness of Data** — Program data are complete and final. The Finance Office records and reports total loan and grant obligations as of the date of obligations. Additionally, the Department collects information for management and evaluation purposes. Data on delinquencies are reported by the Finance Office for CF direct loans, and by lenders for CF guaranteed loans.
- **Reliability of Data** — CF data are entered into GLS by field staff as the program funds are obligated. These data are final, complete, and reliable. These data include the population served based on available U.S. census information. The service area for each facility is based on estimates. The Department screens the data regularly for irregularities. Given the variety of areas served by different types of community facilities, estimating the service area is not a precise science. Population estimates are based on engineering studies used for the design of new or expanded facilities. USDA is developing mapping technologies to improve this process.
- **Quality of Data** — Data are projected based on historical performance. The target information uses data dependent upon the baseline projections from numerous Department agencies.

Challenges for the Future

Management will need to carefully consider the best ways to meet the demand for the program. Increasing emphasis on partnering with other entities, requiring applicant contributions, and a maximum loan ceiling may be considered. As long as the economic crisis continues, CF remains the major source for credit – in many cases, virtually the only source – in rural communities.

1.2.4 Number of borrowers/subscribers receiving new and/or improved electric facilities (millions)

Overview

Providing reliable, affordable electricity is essential to the economic well-being and quality of life for the Nation's rural residents. USDA's electric loan program provides leadership and capital to upgrade, expand, maintain, and replace America's vast rural electric infrastructure. The electric program makes direct loans and loan guarantees to electric utilities and other entities that serve customers in rural areas. The loans and loan guarantees help finance electric distribution, transmission, and generation facilities, including system improvements and replacement, demand-side management, energy efficiency and conservation programs, and on-grid and off-grid renewable energy systems. Loans are made to corporations, States, territories and subdivisions, and local agencies, such as municipalities, utility districts, and cooperatives that provide retail electric service needs to rural areas, or supply the power needs of distribution borrowers in rural areas.

Analysis of Results

The electric program exceeded its goal for providing new and improved electric facilities. The $7.1 billion of approved new loan funding provides a major boost in modernizing electric infrastructure in rural America. More than $500 million in loans approved will support grid modernization with more than 35,000 miles of new and/or improved transmission and distribution improvements, and $133 million in new advanced meter systems. With the assistance of USDA electric loans, borrowers will provide improved electric service to more than 9.4 million retail consumers, including more than 300,000 new rural customers. The program has continued its priority for renewable energy projects. More than $150 million in new loan guarantees for renewable electric generation facilities were approved in FY 2010.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
1.2.4 Number of borrowers' consumers receiving new or improved electric facilities (millions)	8.2	5.8	8.1	9.8	6.1	9.4	Exceeded

Rationale for Met Range: Targets for this measure are based on historical results and adjusted according to program funding. Met range represents a 5 percent deviation from target.

Data assessment metrics to meet the target allow for an actual number in the range 5.8 – 6.4 (millions).

Data Assessment of Performance Measure 1.2.4

- **Completeness of Data** — The Rural Utilities Service's (RUS) Electric Programs performance data are collected from various agency documents, including RUS Form 740c, Borrower's Statistical Profile, Information Publication 201-1, and borrower loan applications. The data are complete and accurate. They also are collected at the time of loan approval and/or reported annually.
- **Reliability of Data** — First-time loan applicants must submit extensive financial and electric system data in support of their loan. Existing borrowers are required to report financial and operating data annually to RUS. The data are used to administer Department loan funds and ensure the security of the loans. Borrower information and loan and grant approvals and advances are tracked in the Rural Utilities Loan Servicing System (RULSS). Borrower financial and system reports and information are collected and maintained through the data collection system in the Rural Development data warehouse.
- **Quality of Data** — Performance goal data on the number of borrower consumers receiving new or upgraded electric service are derived from information in loan applications and annual reports. All applications are reviewed for compliance with all eligibility requirements for the various electric programs loans, guarantees, and grants. All approved applications must demonstrate financial feasibility and adequate loan security. Loan funds may be used only for the approved purposes for which the loan was made. Borrower loan applications and annual submissions are reviewed by field representatives and headquarters staff for completeness and accuracy.

Challenges for the Future

Rural electric providers face many challenges and uncertainties because of economic conditions and new environmental and energy policy initiatives. Electricity demand has continued to grow in rural communities at a higher rate than in urban areas. This disparity reflects demographic conditions and economic development. Expansion of renewable energy production in rural areas has been an additional source of increased electricity demand in many rural areas. Interest in developing new renewable electricity projects and the expansion of energy efficiency and conservation programs is also increasing. The program is working on regulations and policies that will fully implement the new authorities of the Food Conservation and Energy Act of 2008 in these areas.

OBJECTIVE 1.3 SUPPORT A SUSTAINABLE AND COMPETITIVE AGRICULTURAL SYSTEM

1.3.1 Percentage of beginning farmers, racial and ethnic minority farms, and women farmers financed by USDA

Overview

USDA provides direct and guaranteed farm ownership and operating loans that aid family farmers and ranchers in starting and maintaining profitable operations. The financial assistance provided through the loan programs is a vital component of the Department's farm safety net. Loan funds are used to pay normal operating or family living expenses. They also help make capital improvements, refinance certain debts, and purchase farmland, livestock, equipment, feed, and other materials essential to farm and ranch operations.

The loan programs are particularly important to beginning, minority, and women farmers. Because these farming groups typically have fewer resources, they tend to be less likely to qualify for credit from a commercial source. Therefore, USDA specifically targets a portion of its lending to these groups each year. The credit provided by the Department helps reduce such barriers to entry as initial capital investment, high land values, and increasing input costs.

The long-term success of American agriculture is dependent upon new farmers and ranchers entering the economy. Unfortunately, the agricultural census indicates that the number of new entrants into farming has fallen over time. The USDA Farm Loan Programs (FLP) helps offset this trend. FLPs enable beginning, minority, and women farmers to enter the agricultural economy.

Analysis of Results

USDA exceeded its FY 2010 performance target for lending to beginning, minority, and women farmers. The Department has made significant progress in expanding credit access to beginning, minority, and women farmers. Lending to these groups has increased by more than 80 percent during the past decade, from $995 million in FY 2000 to nearly $1.8 billion in FY 2010. In FY 2010, USDA made more than 17,000 loans to beginning, minority, and women farmers. As of September 30, 2010, the Department has nearly 53,000 beginning, minority, and women farmers in its portfolio of direct and guaranteed loans.

Strong demand for USDA direct and guaranteed operating and farm ownership loans continues. Price weakness in the livestock sector and the unusually long harvest season, caused by adverse weather conditions, combined with heightened risk sensitivity in the commercial lending sector, resulted in increased application and loan activity. Loan obligations totaled nearly $5 billion, the highest amount since 1985.

Overall FLP portfolio performance remains strong despite the continued weaknesses in specific sectors of the agricultural economy during the past few years. Delinquency and loss rates for both direct and guaranteed loan programs remain well below historic averages. In the direct loan program, the loss rate was 0.8 percent and the delinquency rate was 6.2 percent. The guaranteed loan program registered a loss rate of 0.41 percent and a delinquency rate of 1.88 percent.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
1.3.1 Percentage of beginning farmers, racial and ethnic minority farmers, and women farmers financed by USDA	15.5%	15.9%	16.2%	17.4%	17.5%	19.7%	Exceeded

The FY 2010 result is estimated based on three quarters of actual data and a fourth quarter projection.

Rationale for Met Range: Data assessment metrics to meet the target allow for an actual number in the range 17.0-18.0 percent, since the threshold is +/-.5 percent.

Data Assessment of Performance Measure 1.3.1

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

- **Completeness of Data** — Data reported will be considered final as of September 30, 2010.
- **Reliability of Data** — Data are considered reliable. System enhancements and built-in edits coupled with comprehensive internal control review programs help ensure data reliability and quality. While Census of Agriculture data are considered reliable, the resulting percentage reported likely understates the importance of USDA's service to these targeted groups. Despite this limitation, these data are the best available for estimating USDA's performance in reaching the targeted groups.
- **Quality of Data** — FLP data are of high quality. Most FLP data originate from accounting systems, which are subject to Office of Inspector General (OIG) audit. FLP data are collected for multiple purposes and gathered throughout the normal lending process. Data derived from the 2002 Census of Agriculture were developed in FY 2006. They will be used until new performance targets are developed as part of a strategic planning process to be completed in FY 2011. At that time, the 2002 Census data will be replaced with data from the 2007 Census.

Challenges for the Future

In recent years, USDA has improved FLP operational effectiveness and efficiency through program streamlining and information technology initiatives. Building on these efforts in the future will be necessary to continue providing high levels of customer service and program oversight and monitoring.

Additionally, as the U.S. agricultural sector continues to change, with farms becoming larger and increasingly dependent on technology, entry into farming is more capital intensive than ever before. The costs associated with operating a farm also continue to increase because of higher prices for feed, seed, fuel, and other input expenses. These factors result in significant barriers and challenges for the groups that the USDA FLPs are intended to assist.

1.3.2 Dollar value of agriculture trade preserved through trade agreement negotiation, monitoring, and enforcement ($ billions) Non-Sanitary Phyto/Sanitary (non-SPS) Activities

Overview

USDA continues to play a leadership role in negotiation of the Doha Development Agenda (DDA) which is designed to lower trade barriers around the world to allow countries to increase trade globally. DDA negotiations center around such issues as agriculture, tariffs, and trade remedies. An ambitious and balanced conclusion of the Doha Round will substantially expand global trading opportunities, increase U.S. agricultural exports, and contribute to the President's goals for the National Export Initiative, which is designed to help farmers and small businesses increase their exports and expand their markets. Substantial progress has been made in addressing issues in all three "pillars" of the DDA agriculture negotiations – domestic support, market access, and export competition.

USDA is participating in Trans-Pacific Partnership (TPP) negotiations with Australia, Brunei, Chile, New Zealand, Peru, Singapore, and Vietnam. TPP is an Asian-Pacific trade agreement designed to increase American exports in the region and create jobs domestically.

The Department also negotiated bilateral accession agreements with countries seeking World Trade Organization (WTO) membership. The WTO is an international body that oversees the rules of trade between nations. In 2010, USDA played a critical role in supporting negotiations with Russia, Kazakhstan, Serbia, and several other countries.

The Department works closely with the Office of the U.S. Trade Representative (USTR) to negotiate agreements to maintain access to global markets for U.S. agriculture. USTR develops and recommends U.S. trade policy, conducts trade negotiations, and coordinates trade policy within the Government. In June 2010, USDA played a critical role in negotiating a framework with Brazil regarding the WTO cotton dispute. In the dispute, a WTO panel found that the U.S. provided prohibited and actionable subsidies to domestic producers, users, and/or exporters of upland cotton. The framework with Brazil helped avert the imposition of countermeasures of more than $800 million in 2010.

Analysis of Results

The performance measure was exceeded. USDA employs a performance measure that estimates the value of trade preserved through WTO agreement, enforcement, creation, and maintenance of free trade agreements, and addresses trade barriers. Extensively monitoring and enforcing existing trade agreements helped the Department to reach its target.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
1.3.2 Dollar value of agricultural trade preserved through trade agreement negotiation, monitoring, and enforcement ($ millions)	$14	$670	$484	$368	$500	$520	Exceeded

This legacy performance goal, part of the 2010 Annual Performance Plan, will be dropped for FY 2011. A new measure has been developed for future planning and reporting.

Rationale for Met Range: The target for this measure is influenced by foreign parties. It reflects U.S. efforts to negotiate new agreements, addressing compliance with existing trade agreements, and resolving trade access issues that arise so that domestic exports can continue.

Data Assessment of Performance Measure 1.3.2

Data for the World Trade Organization and tariff rates are projected estimates based on results posted to the performance tracking system within USDA. Data for successfully retaining and assuring U.S. trade access to export markets are projected estimates based on results posted during the first three quarters of FY 2010

- **Completeness of Data** — Data for successfully retaining and assuring U.S. trade access to export markets are projected estimates based on results posted during the first three quarters of FY 2010.
- **Reliability of Data** — Data are reliable and used by the Department to highlight successes in the trade-policy arena.
- **Quality of Data** — USDA maintains a standardized methodology to forecast trade impacts. Calculation of trade benefits from preserving existing trade is fairly straightforward and easy using this standard methodology. The primary sources of trade data are Department of Homeland Security's U.S. Customs and Border Protection, the Census Bureau, the USDA publication, Foreign Agricultural Trade of the United States, and other databases. Other sources include market reports compiled by USDA and industry estimates. Since measuring expected trade benefits from broad new trade agreements is extremely difficult, the Department evaluates its estimates against other outside estimates when available.

Challenges for the Future

The key challenge for increasing access to global markets is progress in the WTO Doha Round negotiations. USDA will continue to monitor and take action on trade barriers relating to established trade agreements. Barriers will continue to be addressed through the WTO dispute-settlement process, while others will be addressed bilaterally. Improving market opportunities under bilateral and regional trade agreements depends on the approval and implementation of agreements by all partners.

1.3.3 Value of trade preserved annually through USDA staff interventions leading to resolution of barriers created by Sanitary/Phytosanitary (SPS) or Technical Barrier to Trade (TBT) measures

Overview

While U.S. farmers and ranchers are among the world's most productive and efficient, they frequently face complex Sanitary/Phytosanitary (SPS) and Technical Barrier to Trade (TBT) in the global marketplace. These barriers limit exports and/or impose additional costs on exporters. These factors reduce farm income and prevent job growth in the agricultural sector.

Overcoming such barriers requires exceptional coordination across USDA, the rest of the U.S. Government, the private sector, and with foreign officials. To overcome each barrier, the Department engages in such activities as exchanging technical information, high-level political dialogue, and formal dispute settlement proceedings.

In FY 2010, USDA facilitated the prevention or removal of more than 30 SPS and TBT measures in more than 15 countries. These successes benefitted a wide variety of U.S products and included:

- Reopening the Russian and Chinese markets for U.S. pork and pork products;
- Overcoming Turkey's ban on the import of all unapproved products containing or derived from agricultural biotechnology, including soy, cotton, and corn;
- Persuading China and Indonesia to adopt less restrictive food safety laws that affected a wide variety of U.S. agricultural products;
- Persuading the European Union (EU) to align its standards for acceptable levels of aflatoxins in tree nuts to international standards;
- Persuading Taiwan to adopt a maximum residue level for the pesticide malathion, thereby facilitating the entry of U.S. cherries; and
- Ensuring that EU's cosmetic standards for grapefruit would not downgrade Florida grapefruit to a lower quality category, which would command a lower price.

Analysis of Results

USDA exceeded this performance measure. USDA tracks the value of trade preserved by resolving trade barriers arising from SPS and TBT measures imposed by foreign governments. Trade issues and their impact on U.S. exports depend primarily on foreign action. Sometimes, this action is in response to events in the U.S., such as a livestock disease outbreak. Both the problems and the solutions are unpredictable. Solutions can range from a quick agreement with officials at the port of entry to a long negotiation process followed by a lengthy regulatory or legislative process in the country in question. The impact of an action can range from a few thousand to billions of dollars. While USDA can establish priorities in advance for known constraints, unforeseen events frequently require realigning priorities. In addition, volatile exchange rates affect the results reported for this measure.

The majority of SPS and TBT measures impacted food rather than bulk agricultural products. Resolution of barriers to Asian markets showed a relative upswing from FY 2009, with a decrease in those from the Americas. This reflects the growing importance of Asian markets as U.S. trading partners. Over the past 5 years, the top 10 destinations for U.S. agricultural products took approximately two-thirds of all agricultural exports, but the makeup of the top 10 shifted over this period. Canada, Mexico, Japan, China, Taiwan, and S. Korea make up the top six, with Turkey at number nine. By 2009, Hong Kong, Indonesia, and Russia had edged out the United Kingdom, the Netherlands, and Germany. Largely due to barriers to U.S. pork and poultry, Russia dropped off the list during the first half of 2010, replaced by the Philippines. China has overtaken Mexico and Japan to become the second largest importer of U.S. agricultural products, second only to Canada. With its rise in importance as a U.S. trading partner, China also presents the Nation with a larger number of significant SPS and TBT.

USDA changed the methodology for computing this measure. In prior years, the measure was an estimate of the annual value of trade preserved or gained as a result of Department intervention in SPS and TBT issues. Beginning in FY 2010, the measure is computed as actual, cumulative trade from the time a barrier is lifted, or from the proposed effective date of a restriction prevented by USDA intervention. Because of the change in methodology, the value of reported results will initially decline significantly from that reported in recent years. This decline is because of the cumulative nature of the new measure and the frequent lag between barrier resolution and the full restoration of interventions is not included in results reported under the new method, the reported value is expected to grow as impact is tracked over time.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
1.3.3 Value of trade preserved annually through USDA staff interventions leading to resolution of barriers created by Sanitary/Phytosanitary (SPS) ($ billions)	$2.6	$2.5	$7.3	$9.5	$3.6	$4.0	Exceeded

Rationale for Met Range: The target for this measure is influenced by foreign parties. It reflects U.S. goals for addressing compliance with existing trade agreements and resolving trade access issues that arise so that domestic exports can continue. A met or exceeded target reflects USDA successes in addressing these barriers. An unmet target may not reflect that USDA monitoring activities prevented noncompliance.
Data assessment metrics to meet the target allow for an actual number in the range $3.4-$3.8 ($ billions).

Data Assessment of Performance Measure 1.3.3

- **Completeness of Data** — USDA uses a performance tracking system to collect and analyze actual performance data. The data are collected from the Department's network of overseas offices and headquarters staff. The staff conducts trade compliance and enforcement activities, and provides trade negotiation support to the U.S. Trade Representative.
- **Reliability of Data** — Data for successfully retaining and assuring U.S. trade access to export markets are projected estimates based on results posted during the first three quarters of FY 2010.
- **Quality of Data** — In addition to audits and internal control review of the performance tracking system, an established procedure is maintained to review each reported success for verification and the prevention of double counting.

Challenges for the Future

The prevention and resolution of SPS and TBT are essential if U.S. agricultural products are to enjoy the full benefits of market liberalization gained through multilateral trade negotiations. As developing countries become increasingly active in the global trading system and as U.S. trading partners, their ability to develop and implement transparent, science-based regulatory systems is increasingly vital to the long-term viability of U.S. agriculture and our food supply. Besides monitoring and enforcing its rights under the World Trade Organization SPS and TBT agreements, USDA continues to support the development and adoption of science-based international standards and SPS regulatory systems.

Meat and poultry exports continued to be hampered by a variety of unjustified SPS barriers including those related to animal diseases, maximum residue limits (MRLs) for veterinary drugs, zero tolerance pathogen standards, and slaughter and processing plant approvals, particularly foreign insistence on plant-by-plant approvals. Many of these problems manifest themselves in foreign export certification requirements that are neither science-based nor consistent with international guidelines. The largest single technical trade issue of concern to USDA remains the normalization of beef trade after the market closures caused by the 2003 findings of *Bovine Spongiform Encephalopathy*, a progressive neurological disorder of cattle, in the U.S.

Trade barriers related to biotechnology also require increasing attention from USDA. To date, the most broadly accepted new technology has been genetically engineered (GE) crops (soybeans, corn and cotton) and products derived from these crops (oils, meal and feed). Together they comprise about one-third of total U.S. agricultural exports. In addition, it is estimated that some 80 percent of processed foods sold domestically contain ingredients and oils from GE crops. USDA efforts to overcome barriers to GE products include the advancement of science-based regulations, efforts to ensure adherence to and enforcement of existing global commitments governing trade, and coalition building with other countries interested in the safe use of agricultural biotechnology.

Finally, country-by-country variation in MRLs for pesticides poses a significant ongoing risk to U.S. fruit and vegetable exports to many countries. While the U.S. is a global leader in the development and approval of safer and more effective pesticides, the approval of pesticides in other countries and by international standards-setting organizations often lags behind. The variation in approved pesticides that exists between trading partners appears to be growing, increasing the potential for disrupting U.S. agricultural trade as new pesticides becomes approved for the U.S. market. Specialty crop products have a particularly high risk of incurring MRL violations because they require extensive pest control measures.

1.3.4 Value of Federal Crop Insurance Corporation (FCIC) risk protection coverage provided through FCIC sponsored insurance

1.3.5 Normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance

Overview

USDA provides and supports cost-effective means for managing the risks of agricultural producers. This assistance is designed to improve the economic stability of agriculture and rural communities. After assessing the producers' needs, USDA develops a variety of effective risk-management tools. These tools help farmers and ranchers protect their livelihood in times of disasters or other uncontrollable conditions.

The USDA Federal Crop Insurance Program overseen by the Federal Crop Insurance Corporation (FCIC) provides actuarially sound risk management insurance products to reduce agricultural producers' economic losses due to natural disasters or low prices. The Department partners with private crop insurance companies who market and service individual policies and both share the risk. This partnership is governed by the Standard Reinsurance Agreement (SRA).

In response to an authorization from Congress in the Food, Conservation, and Energy Act of 2008, negotiations for the 2011 SRA began late in 2009, and were completed on July 13, 2010, when USDA announced that all approved crop insurance companies had signed the new SRA. The new SRA calls for insurance companies to deliver risk-management insurance products to eligible producers under specific terms and conditions. Companies are responsible for all aspects of customer service and guarantee payment of producer premiums to the FCIC. In return, FCIC reinsures the policies and provides premium subsidy to producers. It also reimburses the companies for administrative and operating expenses associated with delivering and servicing the insurance products. The new SRA will have no impact on farmers' premium costs. It allows the administrative and operating subsidies paid to the insurance companies to fluctuate within a range, but removes the potential for unreasonable increases in payments, such as experienced during the 2007 through 2009 crop price bubble. It also reduces the rates of return insurance providers are expected to earn from underwriting gains to a reasonable level. The resulting agreement will achieve $6 billion in savings over the next 10 years against USDA program benchmarks.

USDA has implemented initiatives to increase awareness and service to beginning, small, and limited resource farmers and ranchers and other underserved groups and areas. Through partnership agreements with public and private agricultural organizations, land grant colleges and universities, community-based organizations, farmers and ranchers, Hispanic Serving Institutions, and other stakeholders, the Department provides technical program assistance and risk management education on strategies associated with economic, legal, production, marketing, human resources, and labor risks. The new SRA provides additional incentives for insurance companies to provide service in underserved states.

USDA uses the value of risk protection to measure the effectiveness of risk management. The value of risk protection denotes the amount of crop insurance in effect protecting and stabilizing individual producers' incomes and consequently rural communities and economies.

Analysis of Results

The Department met its targets for the amount of risk protection provided to producers. The performance measures illustrate the normalized and real dollar values of FCIC coverage in force within the agricultural economy. The actual value performance measure (1.3.4) also shows the amount of potential collateral provided to qualify for commercial loans. The normalized value performance measure (1.3.5) is a rolling average of several years of actual value to account for the volatility of market prices. Since the 1999 crop year, the normalized value has increased by approximately $26 billion, while the real value has increased by approximately $48 billion. While there are a number of factors that influence these figures, including market-price increases and inflation, both represent a major growth in the amount of the agricultural economy insured via the FCIC-sponsored insurance. During the 2010 crop year, which covered parts of both the 2009 and 2010 fiscal years, the economic risk of American agricultural producers was reduced by approximately $79 billion through Federal crop insurance coverage.

Annual Performance Goals, Indicators, and Trends		2006	2007	2008	2009	Fiscal Year 2010		
						Target	Actual	Result
1.3.4	Value of FCIC risk protection coverage provided through FCIC sponsored insurance ($ billions)	$49.9	$67.3	$89.9	$79.9[1]	$81.4	$78.9	Met
1.3.5	Normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance ($ billions)	$48.1	$50.7	$51.5	$53.9[1]	$51.9	$56.2	Met

These legacy performance goals, part of the 2010 Annual Performance Plan, will be dropped for FY 2011. A new measure has been developed for future planning and reporting.

[1]The baseline model uses actual inputs (acres covered, prices, and yields) as they become available over time replacing previously projected figures. Therefore the results for each year may and usually do change from one computation of the baseline model results to the next. End-of-year results will be different from previously used results for earlier budget submissions.

Rationale for Met Range: Annual targets for these measures allow a variation of plus or minus $4.4 billion to be met. The value of risk protection denotes the amount of insurance in effect protecting and stabilizing the agricultural economy. USDA's value projection target is based on projections developed in November 2009, forecasted participation, and conditions current at that time. The normalized value of risk protection denotes the amount of insurance, holding prices constant, in effect protecting and stabilizing the agricultural economy. USDA's normalized value projection target is based on projections developed in November 2009, forecasted participation, and conditions current at that time. The baseline model uses the latest information from the crop insurance program, and combines it with USDA baseline projections for major crops. These crops include corn, wheat, soybeans, sorghum, barley, rice, and cotton. In making the projections, the model holds various factors constant, such as premium rates and average coverage level. The model assumes that all non-major crops produce yields consistent with USDA projections for major crops. The baseline model is a tool for developing budget projections. The budget and performance projections for the crop insurance program depend on baseline projections from numerous USDA agencies.

Data Assessment of Performance Measure 1.3.4 and 1.3.5

- **Completeness of Data** — The data used in conjunction with performance information are based on actual information reported through the end of the third quarter. To provide the annual data, USDA projects the results for the fourth quarter of the fiscal year based on prior year performance. Analysis has shown that normally 99 percent of the final actual data will be reported to USDA during the first quarter of the next fiscal year. The Department receives the actual data from insurance companies. It then maintains data through two integrated

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
processing systems that validate the information. The data then are sent through the system to generate all accounting functions. These processing systems ensure that data received are accurate, errors are corrected quickly, and timely monthly accounting reports are provided. • **Reliability of Data** —The insurance companies receive data from the producers and transmit them to the Department. Once received, USDA takes extensive steps to verify the data's accuracy and validity. The Standard Reinsurance Agreement also provides reinsured companies with disincentives for not following prescribed guidelines and procedures. • **Quality of Data** — Data are projected based on historical performance. The target information uses data dependent upon the baseline projections from numerous USDA agencies. To the extent that any of the projections are inaccurate, the projection of value will also be inaccurate.							

Challenges for the Future

USDA's challenge is to maintain the core crop insurance products that provide the farm financial safety net for the vast majority of producers and rural communities, while expanding and improving insurance coverage and other risk management solutions, particularly for beginning producers, underserved states, areas, communities, and commodities. The Department is addressing the management systems and financial information technology costs associated with operating and maintaining existing program data needs. These systems and technologies also service new and revised products. USDA continues to research how to deliver more crop and livestock products. This research includes reviewing and approving private-sector insurance products reinsured by FCIC that are targeted to the needs of underserved areas and various specialty crops. The new SRA provides additional incentives for insurance companies to provide service in underserved states.

1.3.6 Number of farmers and ranchers that gained an economic, environmental, or quality-of-life benefit from a change in practice learned by participating in a Sustainable Agricultural Research and Education (SARE) project

Overview

SARE program is a regionally administered program that funds competitive grants for research, education, outreach, and training of agricultural professionals. SARE projects are designed to improve agricultural production systems. They bring scientists, educators, communicators, and producers together to develop new ways for farmers and ranchers to simultaneously improve profitability, protect the environment, and enhance their quality of life.

Analysis of Results

USDA met this performance measure. SARE's benefits have been measured through several analyses. These analyses have determined the number of farmers and ranchers reached by the various types of projects supported by SARE, the percentage of these who changed practices as a result, and the percentage where these changed practices persist. Through these analyses, USDA estimates the cumulative number of farmer and ranchers who have benefitted from SARE as the total number of projects it has funded has increased.

Additional measures of program benefits have included the percent of project participants performing an outreach activity (75 percent), the percent reporting improved soil quality (79 percent), and the percent reporting increased sales (64 percent). The program has also measured the number of producers adopting new practices after reading SARE publications (53 percent).

The high percentage of farmers and ranchers reporting a positive impact from SARE projects and publications can be attributed to multiple attributes of the program. These attributes include the regional structure of the program, the diverse composition of the regional administrative councils, a focus on objectives and outcomes, the active involvement of farmers and ranchers throughout the process, a multidisciplinary approach, a broad portfolio of project types that addresses multiple nodes on the research, education and implementation continuum, and consistent consideration for outreach, training, and education.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
1.3.6 The number of farmers and ranchers that gained an economic, environmental or quality-of-life benefit from a change in practice learned by participating in a SARE project.	9,610	10,240	10,849	11,488[1]	11,800	11,800	Met

[1]The figure for 2009 has been updated since the Annual Performance Plan was released. The number is calculated in July each year for the previous year.

Rationale for Met Range: This measure assessesSARE's progress toward helping farmers and ranchers improve their knowledge of sustainable agriculture production and marketing practices that ultimately lead to improved profitability, environmental stewardship, and quality of life. Notes: (a) As part of the program's requirements, this measure is calculated from periodic program impact studies.

- Data assessment metrics to meet the target allow for an actual number in the range 11,550-12,050 (+/- 250)

Data Assessment of Performance Measure 1.3.6

The number of farmers and ranchers who gained an economic, environmental or quality-of-life benefit from a change in practice learned by participating in a SARE project. This measure assesses SARE's progress toward helping farmers and ranchers improve their knowledge of sustainable agriculture production and marketing practices that ultimately leads to improved profitability, environmental stewardship, and quality of life. Notes: (a) As part of the program's requirements, this measure is calculated from periodic program impact studies.

- **Completeness of Data** — The data are based on actual data reported by SARE.
- **Reliability of Data**—This measure is calculated from periodic program impact studies that are part of the program's requirements.
- **Quality of Data** — Data are projected based on historical performance. To the extent that any of the Department's projections are inaccurate, the projection of value will also be inaccurate.

Challenges for the Future

USDA must extend its outreach and expand collaborative partnerships. These steps are necessary to satisfy the growing interest in sustainability across much of the Nation's agricultural enterprise.

SARE has supported a number of systems research projects to characterize and quantify interrelationships between production, economic, environmental, and social factors over the years. There is now a growing interest to increase support for such larger scale systems research projects. At the same time, the program leaders want to be very careful to maintain a diverse portfolio of project types that includes small scale exploratory projects which have historically been a rich source of innovation.

1.3.7 Percentage of industry compliance with the Packers and Stockyards Act

Overview

USDA's Packers and Stockyards Program measures its overall performance by annually measuring regulated entities' compliance with the Packers and Stockyards Act (P&S). P&S prohibits unfair, deceptive, unjustly discriminatory, and fraudulent practices. It also bans regulated businesses from engaging in specific anti-competitive practices.

The performance measure encompasses activities the Department conducts that directly or indirectly influence industry compliance. The overall performance rate is a composite index of five program-wide audit and inspection activities. The index includes:

- Poultry contract compliance reviews;
- Financial audits of a random sample of a firm's custodial accounts with the sample size set to yield 90 percent confidence when inferred to the population of regulated entities;

- Financial audits of the prompt pay records of a random sample of firms with sample size set to yield 90 percent confidence;
- Inspection of all scales and weighing practices in all packing plants purchasing more than 1,000 head per year; and
- Inspection of all carcass evaluation devices and practices for a random sample of packing plants purchasing more than 1,000 head per year.

The aggregated industry compliance rate index reflects the statutory and regulatory compliance of the regulated industry with the P&S.

Analysis of Results

This performance measure was unmet. Industry compliance with P&S remained at 80 percent in 2010, sustaining 2008's improvement over the 75 percent rate of 2007. Results of the individual component inspections and audits that comprise the aggregate index show a year-to-year increase in compliance rates in 2009 for four of the five areas' reviews (not shown). The fifth component, poultry contract compliance review, replaced insolvency audits in 2009 and scored a relatively low rate of 60 percent. If insolvency audits had been included in the aggregate index as in prior years, the aggregate index score would have been 85 percent.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
1.3.7 Percent of industry compliance with the Packers and Stockyards Act	n/a	75%	80%	80%	83%	80%	Unmet

These legacy performance goals, part of the 2010 Annual Performance Plan, will be dropped for FY 2011. A new measure has been developed for future planning and reporting.

Rationale for Met Range: This lower than expected rate is attributed to two factors not known at the time of the target forecast's creation. One is the current financial turmoil the industry is experiencing and how that influences compliance with custodial account and prompt payment provisions. The second is how that influences compliance with prompt payment laws.

Data Assessment of Performance Measure 1.3.7

The index measure denotes the level of industry compliance with the Packers and Stockyards Act. USDA's measure of industry compliance is a composite measure based on actual data collected through audit and inspection activities. Details about the composite index can be found in the narrative above.

- **Completeness of Data**—Depending on the activity, the data is based on either entities within a predefined threshold or random samples of entities with sample size to yield 90 percent confidence.
- **Reliability of Data**—Department employees conduct the audits and inspections and thus collect the data directly.
- **Quality of Data**—Data are collected by trained USDA employees. For items using a random sample, the sample size is chosen to yield a 90 percent confidence level.

Descriptions of Actions for Unmet Measures

This lower-than-expected rate is due largely to the poor economy's impact on the industry and how that influences compliance with prompt payment laws.

Challenges for the Future

In general, the index measures three business and two financial practices for industry compliance with P&S. While additional focus on activities to achieve industry compliance has resulted in increased compliance, general economic conditions within the industry will also affect year-to-year compliance. Weak economic conditions may increase the incentive for industry non-compliance more quickly in the financial components than in the business practice areas. The full effect of these external conditions on the compliance rate is unknown. To the degree that this measure only has a 4-year history, understanding the interaction of these variables on the overall compliance rate will be a challenge USDA confronts in future years.

1.3.8 Maintain or increase percentage of program benefits delivered through a Web environment

The performance measure "Maintain or increase percentage of program benefits delivered through a Web environment" is not included in the FY 2010 PAR. Data supporting the measure did not provide information needed to accurately measure how farmers enter data into a Web-enabled form. It is also clear that development of two or more measures to track both short and longer term information technology (IT)/Web performance across the Farm Service Agency is necessary to provide an accurate picture of the effort USDA is putting forth to modernize its IT systems. The Department and Agency commit to this task and have set a target of including such measures in the FY 2011 PAR. Our goal will be to have a set of metrics that captures the key phases of implementing modernized IT applications, especially those which enable producers to transact business with USDA on the Web. Ultimately, this will make the process of participation in USDA programs by producers more effective and efficient.

Strategic Goal 2: Ensure Our National Forests and Private Working Lands are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources

America's prosperity is inextricably linked to the health of its lands and natural resources. Forests, farms, ranches, and grasslands offer enormous environmental benefits as a source of clean air, clean and abundant water, and wildlife habitat. These lands generate economic value by supporting the vital agriculture and forestry sectors, attracting tourism and recreation visitors, sustaining green jobs. They are also of immense social importance, enhancing rural quality of life, sustaining scenic and culturally important landscapes, and providing opportunities to engage in outdoor activity and reconnect with the land.

Federal, tribal, State, and private lands face increasing threats from climate change, catastrophic wildfires, intense floods and drought, air and water pollution, aggressive diseases and pests, invasive species, and development pressures. These threats result in land and water conversion and reduced wildlife habitat. At the same time, there are immense opportunities to capture and increase the environmental, economic, and social benefits these lands provide. USDA plays a pivotal role in protecting and restoring America's forests, farms, ranches, and grasslands while making them more resilient to threats and enhancing natural resources. The Department partners with private landowners to help protect the Nation's 1.3 billion acres of farm, ranch, and private forestlands. As public land stewards, USDA works to conserve and restore 193 million acres of National Forests and Grasslands in the National Forest System. The Department also partners with Federal, tribal, and State Governments and nongovernmental organizations to assist land and natural resource managers and connect people to the Nation's magnificent lands.

USDA is also a key player in the President's America's Great Outdoors Initiative to build a 21st century conservation agenda, based on the experience and ideas of people from across the country. The goal of the initiative is to conserve natural resources, both public and private, while reconnecting Americans to the outdoors.

OBJECTIVE 2.1 RESTORE AND CONSERVE THE NATION'S FORESTS, FARMS, RANCHES AND GRASSLANDS

2.1.1 Conservation Reserve Program (CRP): Restored wetland acreage (millions of acres)

Overview

USDA's Conservation Reserve Program (CRP) allows producers to plant long-term, resource-conserving covers. CRP is designed to improve the quality of water, control soil erosion, and enhance wildlife habitat on land enrolled in the program. In return, USDA provides participants with rental payments and cost-share assistance. Contract duration is between 10 and 15 years. The program is designed to prevent degradation of wetland areas, increase sediment trapping efficiencies, improve water quality, prevent soil erosion and provide habitat for waterfowl and other wildlife.

CRP includes several initiatives for wetland restoration and enhancement. One is the Farmable Wetlands Program (FWP). FWP restores acres of farmable wetlands and associated buffers by improving the lands' hydrology and vegetation. FWP is designed to prevent degradation of wetland areas, increase sediment trapping efficiencies, improve water quality, prevent soil erosion, and provide habitat for waterfowl and other wildlife. Other initiatives include the 250,000 acre Bottomland Hardwood Timber Initiative, the 250,000 acre Nonfloodplain Wetland Restoration Initiative, and the 150,000 acre Prairie Pothole Duck Nesting Habitat Initiative.

Analysis of Results

The target for this performance measure was exceeded. USDA has made substantial progress in protecting watershed health and enhancing soil quality. Total CRP enrollment stands at more than 31.3 million acres. These acres annually reduce soil erosion by more than 450 million tons. They also reduce nitrogen, phosphorus, and sediment leaving the field by more than 85 percent, and sequester more than 44 million metric tons of carbon dioxide. CRP has reached more than 2 million acres of restored wetlands.

CRP also contributes to increased wildlife populations. It has helped the duck population of the North Prairie Region expand by 2 million. The program has also recovered sage and sharp-tailed grouse populations in Eastern Washington and increased ring-necked pheasant and grassland bird populations.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
2.1.1 CRP: Restored wetland acreage (million acres)	2.03	2.08	1.98	2.04	1.99	2.05	Exceeded

This legacy performance goal, part of the 2010 Annual Performance Plan, will be dropped for FY 2011. A new measure has been developed for future planning and reporting.
Rationale for Met Range: Data assessment metrics to meet the target allow for an actual number in the range of 1.94-2.04 million acres.

Data Assessment of Performance Measure 2.1.1

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

- **Completeness of Data** — The targets and actual data are annual. Data are based on estimated results through September 30, 2010. The measure reports national acres under contract with the following wetland practices: Wetland Restoration, Marginal Pastureland Buffers, Bottomland Trees, and Shallow Water Areas for Wildlife, and Farmable Wetlands Programs. There are no known data limitations.
- **Reliability of Data** — Data are collected locally, cross-checked, and aggregated at HQ. CRP is authorized through FY 2012.
- **Quality of Data** — The Department is conducting research to quantify the environmental functions provided by CRP wetland restoration. When available, these estimates may also be used to track performance.

Challenges for the Future

In FY 2010, CRP enrollment authority was decreased in the Food, Conservation, and Energy Act of 2008 to no more than 32 million acres. The act is designed to expand food security programs, protect the Nation's vital natural resources, promote healthier foods and local food networks, and reform commodity and biofuel programs to reflect domestic priorities. During FY 2011, enrollments are expected to be between 31 and 32 million acres. While creating a challenging situation, USDA remains strongly committed to attaining its conservation and global change objectives. Special focus will be placed on targeting and monitoring acreage impacts in the President's High Priority Performance Goals priority areas. To advance this area, the Department will seek new wetland contracts for more than 50,000 acres in FY 2011 and FY 2012. USDA will also seek contracts covering 40,000 acres to fulfill riparian buffers and grass filter goals. In addition, USDA will continue several initiatives, including the 350,000-acre upland bird buffer, the 150,000-acre Duck Nesting Habitat Initiative, and the State Areas for Wildlife Enhancement Initiative. The latter is a 650,000-acre initiative announced in FY 2007 to improve habitat for endangered, threatened, or high-priority fish and wildlife species. USDA will also continue the 250,000-acre initiative to restore longleaf pine. In the early 1700s, more than 90 million acres of longleaf pine ecosystem existed. Today, fewer than 4 million acres exist.

2.1.2 Conservation Technical Assistance (CTA): Cropland with conservation applied to improve soil quality (millions of acres)

2.1.3 Environmental Quality Incentives Program (EQIP): Cropland with conservation applied to improve soil quality (millions of acres)

Overview

Agriculture and the quality of America's soil and water resources are vital to the Nation's welfare. Approximately 1.5 billion acres (79 percent of the total acres within the contiguous United States) are non Federal land. Approximately 90 percent of these acres are cropland, rangeland, pastureland, or private nonindustrial forestland. The care and health of privately owned working farm and ranch lands are dependent upon the individuals who own and manage them. High-quality soils support the efficient production of crops for food, fiber and energy. They support sustainability of agricultural operations through good stewardship, and minimize offsite environmental impacts to surface and groundwater systems.

Restoring and maintaining high-quality soils on working agricultural land is one of the objectives of conservation planning. USDA helps producers install conservation practices and systems that meet established technical standards and specifications. The Department also provides financial incentives and assistance to encourage producers to adopt land treatment practices proven to provide significant public benefits. Conservation planning is the first step in addressing a resource concern. These plans provide producers with information on the current condition of the land, irrigation management, and wildlife habitat needs. This work gives the owner/operator a full understanding of the conservation practices needed to address any problems. It also introduces the USDA programs available to assist in financing conservation practice implementation.

Analysis of Results

USDA met its targets for helping producers apply conservation practices on cropland to improve soil quality. The Department assisted landowners and operators in developing 14.1 million acres of conservation planning, and 14.6 million acres of applied conservation practices from all USDA programs on privately owned and operated crop and hay land. Operation changes in crop rotations, equipment, or management practices often necessitate the need for technical assistance to adjust conservation systems or conservation practice timing, even on land well-protected under previous systems. Approximately 13.2 million unique acres of cropland were treated for soil quality across the nation. Sixty-three percent or 8.2 million acres of that land was treated through CTA technical assistance, and 36 percent or 4.8 million acres treated using EQIP technical and financial assistance[1].

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
2.1.2 CTA: Cropland with conservation applied to improve soil quality (millions of acres)	6.4	7.3	8.3	7.6	7.5	8.2	Met
2.1.3 EQIP: Cropland with conservation applied to improve soil quality (millions of acres)	3.4	5.3	5.6	4.8	5.0	4.8	Met

These legacy performance goals, part of the 2010 Annual Performance Plan, will be dropped for FY 2011. A new measure has been developed for future planning and reporting.

Actual performance October 1, 2009 through September 30, 2010.

Rationale for Met Range: Data assessment metrics to meet the target allow for an actual number in the range: CTA 6.8 (90 percent) – 8.3 (110 percent); EQIP 4.5 (90 percent) – 5.5 (110 percent). The chief sources of data for these performance measures are the National Conservation Planning Database (NCP), the Program Contracts Database (ProTracts) and the Performance Results System (PRS).

Data Assessment of Performance Measure 2.1.2 and 2.1.3

To ensure program accountability and evaluate program efficiency, data on conservation plans written and conservation practices applied must be linked to the program that funded the staff time needed to carry out each activity. Data on the linkage of programs and conservation practices applied are accurate because the conservation program responsible for applying each practice is documented in the conservation plan developed in the Customer Service Toolkit (Toolkit). The same land unit may benefit from the application of more than one conservation practice. Where more than one program is used to apply practices on the same land unit, each program is credited under the performance measure.

- **Completeness of Data** — The performance reported for these measures is based on actual data reported through September 30 of FY2010. Numerous data quality mechanisms within PRS ensure the completeness of each performance record entry. Each performance record must adhere to a set of quality assurance requirements during the upload process to be credited towards the performance measure.
- **Reliability of Data** For FY 2010, the data reported for these performance measures were calculated within PRS based on information validated and received from the NCP and ProTracts. Conservation plans are developed in consultation with the customer, created with the Toolkit, and warehoused in the NCP. Applied conservation practices are date-stamped, geo-referenced and linked to an employee ID, enabling detailed quality-assurance reviews. Periodic reviews are conducted at the field, state and national level to assess the accuracy of reported data.
- **Quality of Data** — Overall quality of the data is good. The data are reported by field staff located where the conservation is occurring. Field staffs are trained and skilled in conservation planning and application suited to the local resource conditions. Error checking enhancements and reports within the PRS application maintain data quality and allow users at the local, state and national level to monitor data inputs.

Challenges for the Future

The economy influences producers' decisions on conservation measures. Even with the availability of financial assistance, there is hesitation to commit to conservation practices in an uncertain economic climate.

2.1.4 CTA: Grazing land and forest land with conservation applied to protect and improve the resource base (millions of acres)

2.1.5 EQIP: Grazing land and forest land with conservation applied to protect and improve the resource base (millions of acres)

Overview

Grazed forests, range and grasslands comprise nearly 55 percent of the Nation's total land area of 2.3 billion acres. Healthy forests, grazing and grasslands contribute to the health and well-being of the Nation's soil, water, air and wildlife. USDA's strategic focus is to reduce fire danger, minimize the threat of invasive species, reduce soil erosion, maximize groundwater recharge and improve surface water quality. The Department provides technical assistance to farmers and ranchers on privately held forests, working agricultural lands and grasslands.

[1] Approximately 0.2 million acres of cropland received soil quality improvement through other NRCS programs.

Conservation planning is the first step in maintaining a sustainable, highly productive grazing system. Owners/operators are advised of USDA programs that may help finance conservation practice implementation. This process is designed to:

- Improve or maintain the natural moisture holding capacity of the soil;
- Maintain or enhance groundwater recharge areas;
- Maintain animal carrying capacity;
- Improve offsite water quality;
- Provide carbon sequestration;
- Reduce competition from invasive species on native plants; and
- Maximize forest productivity, all while minimizing wild fire fuel levels.

Analysis of Results

USDA exceeded both its CTA and EQIP targets for conservation applied to protect and enhance the Nation's privately owned and operated grazing and forest lands. USDA conservation experts assisted landowners and operators in writing or updating conservation plans and applying conservation practices on private forest, grazing, and grasslands. Operation changes in crop rotations, equipment, or management practices often necessitate the need for technical assistance to adjust conservation systems or conservation practice timing, even on land well-protected under previous systems.

Annual Performance Goals, Indicators, and Trends		2006	2007	2008	2009	Fiscal Year 2010		
						Target	Actual	Result
2.1.4	CTA: Grazing land and forest land with conservation applied to protect and improve the resource base (millions of acres)	8.0	12.2	16.5	16.0	14.6	17.6	Exceeded
2.1.5	EQIP: Grazing land and forest land with conservation applied to protect and improve the resource base (millions of acres)	12.2	16.5	16.9	17.2	15.0	17.5	Exceeded

These legacy performance goals, part of the 2010 Annual Performance Plan, will be dropped for FY 2011. A new measure has been developed for future planning and reporting.

Data assessment metrics to meet the CTA target allow for an actual number in the range 13.1 (90 percent) – 16.1 (110 percent).

Data assessment metrics to meet the EQIP target allow for an actual number in the range 13.5 (90 percent) – 16.5 (110 percent).

Rationale for Met Range: The chief sources of data for these performance measures are the National Conservation Planning Database (NCP), the Program Contracts Database (ProTracts) and the Performance Results System (PRS).

Data Assessment of Performance Measure 2.1.4 and 2.1.5

To ensure program accountability and evaluate program efficiency, data on conservation plans written and conservation practices applied must be linked to the program that funded the staff time needed to carry out each activity. Data on the linkage of programs and conservation practices applied are accurate because the conservation program responsible for applying each practice is documented in the conservation plan developed in Toolkit. The same land unit may benefit from the application of more than one conservation practice. Where more than one program is used to apply practices on the same land unit, each program is credited under the performance measure.

- **Completeness of Data** — The performance reported for these measures is based on actual data reported through September 30 of FY2010. Numerous data quality mechanisms within PRS ensure the completeness of each performance record entry. Each performance record must adhere to a set of quality assurance requirements during the upload process to be credited towards the performance measure.
- **Reliability of Data** — For FY 2010, the data reported for these performance measures were calculated within PRS based on information validated and received from the NCP and ProTracts. Conservation plans are developed in consultation with the customer, created with the Customer Service Toolkit (Toolkit), and warehoused in the NCP. Applied conservation practices are date-stamped, geo-referenced and linked to an employee ID, enabling detailed quality-assurance reviews. Periodic reviews are conducted at the field, state and national level to assess the accuracy of reported data.
- **Quality of Data** — Overall quality of the data is good. The data are reported by field staff located where the conservation is occurring. Field staffs are trained and skilled in conservation planning and application suited to the local resource conditions. Error checking enhancements and reports within the PRS application maintain data quality and allow users at the local, state and national level to monitor data inputs.

Challenges for the Future

Several serious threats pose risks to public and private forestland and grassland. They include wild fire, invasive species, loss of open space and unmanaged outdoor recreation. In many areas, especially in the West, most watersheds and landscapes include public land managed by several Federal agencies and private, State and tribal lands. Protecting the natural resources in these areas requires cooperation among a large number of stakeholders.

2.1.6 Farm and Ranchlands Protection Program (FRPP): Prime, unique, or important farmland protected from conversion to nonagricultural uses by conservation easements, acres

Overview

The health of the Nation's working lands and natural resources directly affect the sustainability of food and fiber production, water quality and quantity, wildlife habitat, aquifer recharge, and clear air. The sustainability of working farms provides essential economic stability to the rural community.

USDA works with farmers, ranchers, and forest landowners to maintain working lands and preserve open space. This includes developing markets and purchasing land or conservation easements. The latter is designed to slow, and in some cases reverse, the conversion and fragmentation of environmentally and economically significant farms and grasslands. The Farm and Ranch Protection Program (FRPP) allows the Department to purchase conservation easements to protect topsoil by limiting nonagricultural uses of the land. USDA also partners with State, local, and tribal governments and nongovernment organizations to share in the costs of acquiring conservation easements. For every Federal dollar invested through FRPP, an additional two dollars has been contributed by the participating State, local, and tribal entities, and nongovernmental organizations and landowners.

Analysis of Results

The performance measure was exceeded, at 13,898 acres, or 35 percent, above target. The historical percentage of prime farmland easement acres to total FRPP easement acres is 65 percent (prime acres/farmland acres). In FY 2010, a combination of above-average closing on total FRPP farmland easements (+16,646 acres) and a prime to farmland percentage increase to 74 percent explain why the target exceeded estimates.

The combined acreage from all 4 easement programs totaled 173,323 acres. FRPP farmland made up 72,646 of that total. FRPP easements on prime, unique, and important farmland was 53,898 acres. To achieve this result, USDA worked with eligible State, tribal, or local governments or nongovernmental organizations to acquire conservation easements from interested landowners. This performance measure emphasizes how vital prime, unique, and important farmland is to the Nation's food security through sustained agricultural production.

Annual Performance Goals, Indicators, and Trends		2006	2007	2008	2009	Fiscal Year 2010		
						Target	Actual	Result
2.1.6	FRPP: Prime, unique, or important farmland protected from conversion to nonagricultural uses by conservation easements (acres)	46,909	38,495	27,401	38,260	40,000	53,898	Exceeded

This legacy performance goal, part of the 2010 Annual Performance Plan, will be dropped for FY 2011. A new measure has been developed for future planning and reporting.

Actual performance October 1, 2009 through September 30, 2010.

Data assessment metrics to meet the target allow for an actual number in the range 36,000 (90 percent) – 44,000 (110 percent).

Rationale for Met Range: The chief sources of data for these performance measures are the National Conservation Planning Database (NCP), the Program Contracts Database (ProTracts) and the Performance Results System (PRS).

Data Assessment of Performance Measure 2.1.6

To ensure program accountability and evaluate program efficiency, data on conservation plans written and conservation practices applied must be linked to the program that funded the staff time needed to carry out each activity. Data on the linkage of programs and conservation practices applied are accurate because the conservation program responsible for applying each practice is documented in the conservation plan developed in Toolkit. The same land unit may benefit from the application of more than one conservation practice. Where more than one program is used to apply practices on the same land unit, each program is credited under the performance measure.

- **Completeness of Data** — The performance reported for these measures is based on actual data reported through September 30 of FY 2010. Numerous data quality mechanisms within PRS ensure the completeness of each performance record entry. Each performance record must adhere to a set of quality assurance requirements during the upload process to be credited towards the performance measure.
- **Reliability of Data** — For FY 2010, the data reported for these performance measures were calculated within PRS based on information validated and received from the NCP and ProTracts. Conservation plans are developed in consultation with the customer, created with the Customer Service Toolkit (Toolkit), and warehoused in the NCP. Applied conservation practices are date-stamped, geo-referenced and linked to an employee ID, enabling detailed quality-assurance reviews. Periodic reviews are conducted at the field, State and national level to assess the accuracy of reported data.
- **Quality of Data** — Overall quality of the data is good. The data are reported by field staff located where the conservation is occurring. Field staffs are trained and skilled in conservation planning and application suited to the local resource conditions. Error checking enhancements and reports within the PRS application maintain data quality and allow users at the local, State, and national level to monitor data inputs.

Challenges for the Future

Agricultural land conversions have slowed in recent years, but are expected to rise in the future. The loss of agricultural operations and their associated lands destabilizes rural economies and places stress on agricultural businesses. The demand for conservation easements far exceeds available funds, so providing easements to agricultural operations that provide the most benefits to the local community will remain a major challenge.

2.1.7 Wildlife Habitat Incentives Program (WHIP): Non-Federal land with conservation applied to improve fish and wildlife habitat quality (acres)

Overview

USDA addresses the needs of wildlife on privately owned working agricultural lands. The Department provides technical and financial assistance to landowners and managers to restore, improve or maintain suitable habitat. USDA technical experts provide on-site assistance to assess the quality of wildlife habitat, the actions necessary to restore or enhance that habitat, and develop management plans to maintain the habitat in a suitable (sustainable) condition. These technical experts develop management plans with recommendations for wildlife shelter, nesting, water and food relative to current site conditions. Implementation of the plan results in sustained and enhanced wildlife habitat.

The Department combines financial and technical assistance through a variety of programs to improve resident or seasonal habitat for wildlife considered threatened and listed on endangered species lists (Federal or State). These programs are also designed to help other species experiencing serious declines due to habitat loss. USDA financial assistance may involve assistance with conservation practice installation, the development of long-term easements to protect against conversion, or a combination of the two. USDA provided technical and financial assistance to restore or enhance wildlife habitat to 13 million acres and, using the Wetlands Reserve Program (WRP), secured easements on an additional 74,180 acres. WRP is a voluntary program offering landowners the opportunity to protect, restore, and enhance wetlands on their property.

USDA also works with other agencies and private organizations to provide producers with technical and financial assistance, information and other resources to evaluate, and encourage the adoption of conservation measures and management practices beneficial to wildlife.

Analysis of Results

The Department's target was not met. The measure identifies where USDA technical experts, using WHIP, assisted landowners with the installation of conservation practices designed to improve or restore critical wildlife habitat. Some of the conservation practices installed were on WRP easements.

Annual Performance Goals, Indicators, and Trends		2006	2007	2008	2009	Fiscal Year 2010		
						Target	Actual	Result
2.1.7	WHIP: Non-Federal land with conservation applied to improve fish and wildlife habitat quality (acres)	175,543	388,769	316,896	335,402	350,000	295,227	Unmet

This legacy performance goal, part of the 2010 Annual Performance Plan, will be dropped for FY 2011. A new measure has been developed for future planning and reporting.

Actual performance October 1, 2009 through September 30, 2010.

Data assessment metrics to meet the target allow for an actual number in the range 315,000 (90 percent) – 385,000 (110 percent).

Rationale for Met Range: The chief sources of data for these performance measures are the National Conservation Planning Database (NCP), the Program Contracts Database (ProTracts) and the Performance Results System (PRS).

Data Assessment of Performance Measure 2.1.7

To ensure program accountability and evaluate program efficiency, data on conservation plans written and conservation practices applied must be linked to the program that funded the staff time needed to carry out each activity. Data on the linkage of programs and conservation practices appliedare accurate because the conservation program responsible for applying each practice is documented in the conservation plan developed in Toolkit. The same land unit may benefit from the application of more than one conservation practice. Where more than one program is used to apply practices on the same land unit, each program is credited under the performance measure.

- **Completeness of Data** — The performance reported for these measures is based on actual data reported through September 30 of FY 2010. Numerous data quality mechanisms within PRS ensure the completeness of each performance record entry. Each performance record must adhere to a set of quality assurance requirements during the upload process to be credited towards the performance measure.
- **Reliability of Data** — For FY 2010, the data reported for these performance measures were calculated within PRS based on information validated and received from the NCP and ProTracts. Conservation plans are developed in consultation with the customer, created with the Customer Service Toolkit (Toolkit), and warehoused in the NCP. Applied conservation practices are date-stamped, geo-referenced and linked to an employee ID, enabling detailed quality-assurance reviews. Periodic reviews are conducted at the field, state and national level to assess the accuracy of reported data.
- **Quality of Data** — Overall quality of the data is good. The data are reported by field staff located where the conservation is occurring. Field staffs are trained and skilled in conservation planning and application suited to the local resource conditions. Error checking enhancements and reports within the PRS application maintain data quality and allow users at the local, state and national level to monitor data inputs.

Descriptions of Actions for Unmet Measures

Producers are less willing to make long-term commitments regarding the use of their land during times of economic uncertainty. This affects the creation and restoration of critical upland and wetland habitats.

Challenges for the Future

Many wildlife projects are supported by a combination of Federal, State, local, and private funds. State and local budget constraints may affect project implementation.

Objective 2.2 Protect and enhance Americas water resources

2.2.1 CTA: Comprehensive nutrient management plans applied (number of plans)

2.2.2 EQIP: Comprehensive nutrient management plans applied (number of plans)

Overview

The Department provides science-based technical assistance to land users on privately owned lands to help protect and enhance the Nation's water resources. The Conservation Technical Assistance Program (CTA) is designed to provide technical assistance to land users to address opportunities, concerns, and problems related to the use of natural resources. This assistance helps land users make sound natural resource management decisions on private, tribal, and other non Federal lands. A major component of a conservation plan on animal operations is the Comprehensive Nutrient Management Plan (CNMP). A CNMP addresses the specialized requirements of animal agriculture. The plan covers such issues as animal feed, animal manure storage, and manure (nutrient) application on crop and hay lands.

A CNMP is not one practice, but an integrated set of practices which fully address feed, storage, nutrient, and erosion control on all land associated with the animal operation. USDA conservation experts assist land owners and operators by developing CNMPs that take into account the crop production (food), nutrient applications, and potential offsite environmental impacts to surface and groundwater systems, such as soil and nutrient runoff. As a result, the technical expert and owner/operator agree to an integrated set of conservation practices consistent with the farm/ranch operation, maximize the use of nutrient resources and protect ground and surface water quality. In addition, the availability of financial assistance through one or more of the Department's programs for practice implementation is discussed. More than 60 percent of USDA's financial assistance for surface and groundwater protection is focused on animal operations.

Once a CNMP is developed, the Department provides owners and operators with technical and financial assistance. This assistance helps them install the conservation practices and systems identified within the CNMP. All practices designed and installed using USDA technical or financial assistance meet established technical standards and specifications. As animal agriculture has become more concentrated, public concern about potential environmental damage has increased. The Department focuses on helping producers comply with State and local regulations to minimize the potential for damage to water or air resources from livestock operations.

Analysis of Results

While USDA met its CTA target, it did not meet the EQIP target.

Annual Performance Goals, Indicators, and Trends		2006	2007	2008	2009	Fiscal Year 2010		
						Target	Actual	Result
2.2.1	CTA: Comprehensive nutrient management plans applied (number of plans)	2,269	1,911	1,745	1,485	1,300	1,349	Met
2.2.2	EQIP: Comprehensive nutrient management plans applied (number of plans)	2,774	2,490	2,520	2,019	2,000	1,739	Unmet

These legacy performance goals, part of the 2010 Annual Performance Plan, will be dropped for FY 2011. A new measure has been developed for future planning and reporting.

Actual performance October 1, 2009 through September 30, 2010.

Data assessment metrics to meet the target allow for an actual number in the range CTA 1,170 (90 percent) – 1,430 (110 percent).

Data assessment metrics to meet the target allow for an actual number in the range EQIP 1,800 (90 percent) – 2,200 (110 percent).

Rationale for Met Range: The chief sources of data for these performance measures are the National Conservation Planning Database (NCP), the Program Contracts Database (ProTracts) and the Performance Results System (PRS).

Data Assessment of Performance Measure 2.2.1 and 2.2.2

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
To ensure program accountability and evaluate program efficiency, data on conservation plans written and conservation practices applied must be linked to the program that funded the staff time needed to carry out each activity. Data on the linkage of programs and conservation practices applied are accurate because the conservation program responsible for applying each practice is documented in the conservation plan developed in Toolkit.							
The same land unit may benefit from the application of more than one conservation practice. Where more than one program is used to apply practices on the same land unit, each program is credited under the performance measure. • **Completeness of Data** — The performance reported for these measures is based on actual data reported through September 30 of FY 2010. Numerous data quality mechanisms within PRS ensure the completeness of each performance record entry. Each performance record must adhere to a set of quality assurance requirements during the upload process to be credited towards the performance measure. • **Reliability of Data** — For FY 2010, the data reported for these performance measures were calculated within PRS based on information validated and received from the NCP and ProTracts. Conservation plans are developed in consultation with the customer, created with the Customer Service Toolkit (Toolkit), and warehoused in the NCP. Applied conservation practices are date-stamped, geo-referenced and linked to an employee ID, enabling detailed quality-assurance reviews. Periodic reviews are conducted at the field, state and national level to assess the accuracy of reported data. • **Quality of Data** — Overall quality of the data is good. The data are reported by field staff located where the conservation is occurring. Field staffs are trained and skilled in conservation planning and application suited to the local resource conditions. Error checking enhancements and reports within the PRS application maintain data quality and allow users at the local, state and national level to monitor data inputs.							

Descriptions of Actions for Unmet Measures

USDA fell short of its EQIP target by 261 plans.

Uncertainty within the economic sector continues to influence individual conservation practice installation and completion of CNMPs. This uncertainty affects the willingness of landowner/operators to invest in conservation practices that do not provide an immediate financial return. In most cases, low- or no-cost, easily implemented CNMPs have been completed. Those that remain, both planned and in the design stage, are far more complicated. They require a higher level of owner/operator financial investment. Since CNMPs are reported only after all planned practices are installed, postponing or cancelling the installation of even one practice seriously impacts Department performance with regard to anticipated workload. This was the case in FY 2010, and could be a factor over the next few years.

Challenges for the Future

The quality of ground and surface waters to support intended uses is a continuing concern, as is the supply of these waters to meet expanding demand. Challenges to maintaining the quality of ground and surface waters will include the continuing concentration of livestock operations, increased acreage cropped for ethanol and cellulosic sources of biomass, the risk of soil erosion from more frequent and intense storm events, and reduced surface plant cover due to drought. Competition for water will continue to increase, especially in areas with a limited or variable water supply. In addition, the expansion of cropped acres to produce energy may increase agricultural demand for water. Climate change may also impact future water quality and quantity. Drought, increasingly variable precipitation rates, and urban uses in many parts of the Nation, result in water shortages in areas that have had adequate supplies in the past.

If global market demands encourage increased food and feed production, agricultural producers may use environmentally sensitive land for production rather than establishing long-term crop rotations suitable for site conditions, such as conservation covers or buffers.

2.2.3 Wetlands Reserve Program (WRP): Wetlands created, restored or enhanced (acres)

Overview

Approximately 87 percent of the Nation's surface supply of drinking water originates on forest, farms and range lands. Protection and restoration of America's wetland ecosystems is crucial to improving water quality. These ecosystems provide habitat for fish and wildlife, store floodwaters, and maintain surface water flow during seasonal dry periods. According to the Council on Environmental Quality, agricultural conservation and technical assistance accounts for 58 percent of the wetland acreage restored or created by Federal programs.

USDA has several programs to provide technical assistance in managing wetland habitats as well as financial assistance to secure easements and apply conservation practices. The Wetlands Reserve Program (WRP) is the primary USDA program dedicated to the restoration, creation, and enhancement of wetland ecosystems. Often, USDA partners with individuals, communities, nongovernmental organizations, tribes, State, and local governments to provide the assistance necessary to secure long-term or permanent easements on wetland habitat and systems in danger of conversion or loss.

Analysis of Results

The Department met the FY 2010 target for the performance measure. USDA provides technical and/or financial assistance to install one or more conservation practices designed to create, restore or enhance wetlands on working farms and ranches. The objective of practice installation is the restoration, creation, or enhancement of a working wetland system.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
2.2.3 WRP: Wetlands created, restored or enhanced. (acres)	181,979	149,330	128,860	106,379	125,000	129,082	Met

This legacy performance goal, part of the 2010 Annual Performance Plan, will be dropped for FY 2011. A new measure has been developed for future planning and reporting.

Actual performance October 1, 2009 through September 30, 2010.

Data assessment metrics to meet the target allow for an actual number in the range 112,500 (90 percent) – 137,500 (110 percent).

Rationale for Met Range: The chief sources of data for these performance measures are the National Conservation Planning Database (NCP), the Program Contracts Database (ProTracts) and the Performance Results System (PRS).

Data Assessment of Performance Measure 2.2.3

To ensure program accountability and evaluate program efficiency, data on conservation plans written and conservation practices applied must be linked to the program that funded the staff time needed to carry out each activity. Data on the linkage of programs and conservation practices applied are accurate because the conservation program responsible for applying each practice is documented in the conservation plan developed in Toolkit. The same land unit may benefit from the application of more than one conservation practice. Where more than one program is used to apply practices on the same land unit, each program is credited under the performance measure.

- **Completeness of Data** — The performance reported for these measures is based on actual data reported through September 30 of FY 2010. Numerous data quality mechanisms within PRS ensure the completeness of each performance record entry. Each performance record must adhere to a set of quality assurance requirements during the upload process to be credited towards the performance measure.
- **Reliability of Data** — For FY 2010, the data reported for these performance measures were calculated within PRS based on information validated and received from the NCP and ProTracts. Conservation plans are developed in consultation with the customer, created with the Customer Service Toolkit (Toolkit), and warehoused in the NCP. Applied conservation practices are date-stamped, geo-referenced and linked to an employee ID, enabling detailed quality-assurance reviews. Periodic reviews are conducted at the field, state and national level to assess the accuracy of reported data.
- **Quality of Data** — Overall quality of the data is good. The data are reported by field staff located where the conservation is occurring. Field staffs are trained and skilled in conservation planning and application suited to the local resource conditions. Error checking enhancements and reports within the PRS application maintain data quality and allow users at the local, state and national level to monitor data inputs.

Challenges for the Future

Commodity prices, economic conditions, weather, and developmental pressures influence the ability and willingness of agricultural producers to restore, improve, and protect habitat areas. In hard or uncertain economic times, producers are less willing to make long-term commitments regarding the use of their land. This hesitation may affect easement acquisition and wetland restoration of prior converted cropland.

Objective 2.3 Reduce risk from catastrophic wildfire and restore fire to its appropriate place on the landscape

2.3.1 Percentage of total National Forest System land base for which fire risk is reduced through movement to a better condition class

Overview

USDA measures the relative progress of hazardous fuels treatments against a 2005 baseline measure of Fire Regime Condition Class (FRCC). FRCC is an expression of the departure of the current condition from the historical fire regime, resulting in alterations to the ecosystem. A condition class is measured as a 1, 2, or 3, with 3 being the most significant departure from the historical fire regime. Activities that cause the departure include fire exclusion, timber harvesting, grazing, and the growth of exotic plant species, insects, and disease.

The measure is calculated by determining how many acres were moved to an improved condition class during the fiscal year. That number is added to the previous year's cumulative total and divided by the baseline number of acres that "needed" improvement. The baseline was developed in 2005 based on an estimate of how many acres were in FRCC 2 or 3.

In 2005, it was estimated that 123 million acres were in FRCC 2 or 3. The acres which move to a better condition class are added to a cumulative total and divided by the 2005 baseline. Therefore, the annual increment is only a fraction of a percent.

Analysis of Results

USDA did not reach the performance target.

Hazardous fuel treatments are completed on more than 2 million acres each year. Though many treatments do not improve condition class, the area treated will likely have a reduced risk of unnaturally severe fire to communities and resources, while producing integrated benefits for restoring fire-adapted ecosystems, enhancing wildlife habitat, and increasing forest health and watershed quality. In addition, while some treatments maintain condition class and others are incremental steps toward an improved condition class, several hundred thousand acres are moved to a better condition class annually. A variety of factors influence the ability to meet this goal, including weather, resource availability, and the number of treatments required. It often takes multiple treatments to move an area toward its desired condition, and it may take repeated entries over time to move an area to the desired condition.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
2.3.1 Percentage of total National Forest System land base for which fire risk is reduced through movement to a better condition class	1.1%	1.9%	2.1%	3.0%	3.0%	2.55%	Unmet

The FY 2010 result is estimated based on three quarters of actual data and a fourth quarter projection.

Rationale for Met Range: Data assessment metrics to meet the target allow for an actual number in the range of 2.85 percent to 3.15 percent. USDA projects that it will narrowly miss this target. While USDA has conducted numerous treatments using both prescribed fire and mechanical treatment in FY 2010, it often can take multiple treatments in a single area to move an acre to Condition Class 1. Condition Class 1 refers to acres in a condition where fire regimes are within a historical range and the risk of losing key ecosystem components is low. Also, while acres affected by wildland fires can contribute to improved condition class, the number of wildfires, and the acreage affected on National Forest System lands in FY 2010 was somewhat lower than expected.

Data Assessment of Performance Measure 2.3.1

The data for hazardous fuels treatments are reliable, of good quality, and certified by the respective line officer. USDA wildfire and other program managers collected, compiled, and analyzed the data.

- **Completeness of Data** — Values shown are final FY 2010 data.
- **Reliability of Data** — All data for hazardous fuels were reported through the National Fire Plan Operations Reporting System. USDA and the U.S. Department of the Interior land-management agencies co-developed the system. Its data are collected, compiled, and analyzed by program managers, and certified by the respective line officer.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
• **Quality of Data** — Data quality has been assessed at about 90 percent for project data in all regions. The quality of these data is monitored continuously, and being improved with focused training and policy direction on reporting requirements. Data are projected based on historical performance and year-to-date actual accomplishments. If information is not entered into the systems of record immediately upon completion of the project, the quality of the projection will be compromised. USDA uses clear business rules and program direction to ensure the timely entry of project completions. In FY 2010, USDA redesigned its data entry system to increase overall product quality.							

Descriptions of Actions for Unmet Measures

FRCC is primarily a measure of current ecological condition compared to an historic fire regime. It is not a direct measure of fire risk or fire danger. The performance measure was not met because the program shifted funds to treatment of Wildland Urban Interface (WUI) acres. WUI refers to residential areas in locations subject to wildland fire. This change in funding and emphasis reduced overall accomplishment of acres and thereby reduced the total number of acres that improved condition class. Treatments in the WUI are more likely to emphasize objectives related to resource protection over objectives related to ecological conditions.

Challenges for the Future

USDA continues to increase its focus on treating more strategic acres in the more costly WUI. The Department's shift in focus to these priority acres means that fewer acres overall will be treated, leading to fewer changes in condition class. In addition, rising costs, such as fuel and aviation, contributed to increased expenditures, not all of which could be offset by cost management actions. Other integrated accomplishments will decrease due to reduced budgets in programs that contribute to the overall unified fuels target. These reductions will affect progress towards the desired conditions.

2.3.2 Acres of WUI fuels treated to reduce the risk of catastrophic fire

Overview

USDA's hazardous fuels reduction program conducts fuel-reduction treatments on forest lands. These treatments are designed to reduce the risk of catastrophic fire and restore and maintain fire-adapted ecosystems. Implementing fuel treatments near communities in the WUI continues to be a high priority. As part of this process, communities are allowed to determine the best ways to reduce the risk of wildfire through Community Wildlife Protection Plans (CWPPs).

Analysis of Results

USDA exceeded the target for this measure.

WUI treatments have become more expensive and increasingly more complex. This is due to the treatment proximity to communities and infrastructure, and the associated air quality regulations and safety concerns. USDA provides cost-effective protection to communities and resources by shifting its focus to the highest priority areas. As a result of a more focused application of resources, including California making significant contributions to the total acres treated, the 2010 target was exceeded.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
2.3.2 Acres of WUI fuels treated to reduce the risk of catastrophic fire (in thousands)	1,590	1,654	1,940	1,740	1,470	1,545	Exceeded
Rationale for Met Range: Data assessment metrics to meet the target allow for an actual number in the range of 1,397 to 1,544. USDA continues to emphasize treatments in the WUI. In addition, Recovery Act treatments and a less severe fire season allowing additional fuels work both contributed to meeting this target.							

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
Data Assessment of Performance Measure 2.3.2							

The data for hazardous fuels treatments are reliable, of good quality, and certified by the respective line officer. USDA wildfire and other program managers collected, compiled, and analyzed the data.

- **Completeness of Data** — Values shown are final FY 2010 data.
- **Reliability of Data** — All data for hazardous fuels were reported through the National Fire Plan Operations Reporting System. USDA and the U.S. Department of Interior (DOI) land-management agencies co-developed the system. Its data are collected, compiled, and analyzed by program managers, and certified by the respective line officer.
- **Quality of Data** — Data quality has been assessed at about 90 percent for project data in all regions. The quality of these data is monitored continuously, and being improved with focused training and policy direction on reporting requirements. Data are projected based on historical performance and year-to-date actual accomplishments. If information is not entered into the systems of record immediately upon completion of the project, the quality of the projection will be compromised. USDA uses clear business rules and program direction to ensure the timely entry of project completions. In FY 2010, USDA redesigned its data entry system to increase overall product quality.

Challenges for the Future

In FY 2011, USDA will focus on complex high-priority work in WUIs where CWPPs or equivalent plans have been completed. Only 1,600 CWPPs have been completed out of the 69,696 communities identified as at-risk from wildfire.

2.3.3 Percentage of acres treated in the WUI that have been identified in Community Wildlife Protection Plans

Overview

USDA works with other Federal and State foresters, local communities, and non-governmental organizations in developing CWPPs. CWPPs are designed to enable communities to determine the best ways to reduce the risk of wildfire. This collaboration helps establish clear objectives for hazardous fuel reduction and wildfire prevention efforts. There are other equivalent plans and efforts to help make a community more fire adapted in the WUI where treatments are effective and important.

Analysis of Results

The Department exceeded the target for acres treated in the WUI that had been identified in a CWPP. USDA is progressing towards protecting high-priority values at risk, especially human life and property.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
2.3.3 Percentage of acres treated in the WUI that have been identified in Community Wildlife Protection Plans	17%	25%	36%	28%	41%	43%	Met
Rationale for Met Range: Data assessment metrics to meet the target allow for an actual number in the range 38.95 percent to 43.05 percent. USDA projects that it will meet the target for this measure. USDA continues to stress the importance of working with partners in helping communities plan and prepare for wildland fires, which has likely led to an increase in these types of treatments.							
Data Assessment of Performance Measure 2.3.3							

The data for hazardous fuels treatments are reliable, of good quality, and certified by the respective line officer. USDA wildfire and other program managers collected, compiled, and analyzed the data.

- **Completeness of Data** — Values shown are final FY 2010 data.
- **Reliability of Data** — All data for hazardous fuels were reported through the National Fire Plan Operations Reporting System. USDA and the U.S. Department of Interior (DOI) land-management agencies co-developed the system. Its data are collected, compiled, and analyzed by program managers, and certified by the respective line officer.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
• **Quality of Data** — Data quality has been assessed at about 90 percent for project data in all regions. The quality of these data is monitored continuously, and being improved with focused training and policy direction on reporting requirements. Data are projected based on historical performance and year-to-date actual accomplishments. If information is not entered into the systems of record immediately upon completion of the project, the quality of the projection will be compromised. USDA uses clear business rules and program direction to ensure the timely entry of project completions. In FY 2010, USDA redesigned its data entry system to increase overall product quality.							

Challenges for the Future

An even greater emphasis on high priority WUI treatments is planned. These treatments will take place in more costly and complex areas. These treatments already have been identified in CWPPs or an equivalent plan.

Strategic Goal 3: Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security

A productive agricultural sector is critical to increasing global food security. For many crops, a substantial portion of domestic production is bound for overseas markets. USDA helps American farmers and ranchers use efficient, sustainable production, biotechnology, and other emergent technologies to enhance food security around the world and find export markets for their products.

Food security is measured by the availability of food and the ability to purchase food. A family is considered food secure when its members do not live in hunger or fear of starvation. Food security in foreign countries is affected by a number of factors, including the extent of the domestic food supply; the proportion of a nation's total volume of commodities used for such nonfood uses as feed or fuel; post-harvest losses due to waste and decay; the ability to finance food and agricultural imports; population income levels; and the proportion of income that must be devoted to food.

The Department is working to ensure U.S. agricultural resources contribute to enhanced global food security; enhance America's ability to develop and trade agricultural products derived from new technologies; and promote sustainable and productive agricultural systems that enable food-insecure nations to feed themselves.

Objective 3.1 Ensure US Agricultural Resources Contribute to Enhanced Global Security

3.1.1 Food Aid Targeting Effectiveness Ratio

Overview

To combat hunger, malnutrition, and poverty, USDA is working to promote enhanced food security through its international development programs. Major goals include enhancing agricultural productivity, mitigating and adapting to global climate change, and increasing trade with, and investment in, developing countries. This work will enhance economic growth, food security, and the supply and affordability of food. USDA also provides food assistance to developing countries through the donation of food commodities via its Food for Education and Food for Progress Programs. In combination with food assistance that covers gaps in supplies and helps to keep the population healthy, the Department is assisting foreign governments in adopting productivity-enhancing technologies. These technologies include biotechnology, reconstructing agriculture in post-conflict or disaster areas, developing sustainable natural resource management systems, and strengthening agricultural research and extension programs. USDA also works with foreign counterparts to advance market-based policies and institutions, and expand international trade through trade capacity building. This work helps countries meet their World Trade Organization (WTO) obligations, avoid or eliminate barriers to trade, and strengthen policy and regulatory frameworks, with an emphasis on food safety and biotechnology. WTO is an international body that oversees the rules of trade between nations.

In FY 2010, USDA collaborated with other Federal agencies in crafting the Feed the Future (FTF) Initiative. FTF is designed to reduce global hunger and poverty by addressing their root causes and employing proven strategies for achieving large scale and lasting changes. Through the initiative, the Department works with host governments, development partners, and other stakeholders to achieve those goals. FTF links USDA's technical assistance efforts with the U.S. Agency for International Development, the White House, the State Department, partner countries, multilateral institutions, private voluntary organizations, the private sector, donors, and civil societies around the world.

USDA's technical assistance has fostered positive change in other countries. Under the Iraqi Agricultural Extension Revitalization Project, the Department and a five-member university consortium headed by Texas A&M University helped professors and extension agents improve advisory services for

Iraqi producers. They also conducted an independent training needs assessment for the Iraqi Red Meats Association. USDA has also provided technical assistance to the Government of the Republic of Georgia's national statistics service, GeoStat. As a result, GeoStat has developed an emerging, highly skilled agricultural division. This division is now collecting and disseminating nationally- and regionally-representative statistics on the agricultural situation, while also providing critical information for policy makers and the private sector.

USDA also has seen international success with the McGovern-Dole International Food for Education and Child Nutrition Program. McGovern-Dole helps promote education, child development, and food security for some of the world's poorest children. It provides for donations of U.S. agricultural products and financial and technical assistance for school feeding and maternal and child nutrition projects in developing countries. In Senegal, for example, USDA continued to fund Counterpart International (CPI) to enhance the education and health status of target communities. CPI provides school meals, health clinics, school gardens, and capacity building for parent-teacher associations. It has helped children show dramatic improvement in their ability to pass compulsory exams and advance to the next grade level. In Bolivia, the Department continued its support of Project Concern International. Project Concern is an international health organization that saves the lives of children and families around the world by preventing disease and providing access to clean water and nutritious food. This collaboration has provided school meals, teacher training, and government capacity building. Attendance rates for all children have increased more than 10 percent since the program's 2005 inception.

Analysis of Results

The performance measure was met. The Food Aid Targeting Effectiveness Ratio (FATER) is based on a USDA food security assessment. For countries with greater food insecurity, there is a larger estimated food gap. FATER measures the effectiveness of USDA food aid in closing the gap. The higher the FATER score, the larger the percentage of the estimated food gap met by USDA programmed food aid. In countries with greater food insecurity, the FATER value would be relatively low because of large food gaps in those countries. The FATER value would be higher in countries with less food insecurity, where the food gaps are smaller. A target of 35 percent represents a balance of food aid programming across countries with greater and lesser levels of food insecurity.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
3.1.1 Food Aid Targeting Effectiveness Ratio (Percent)	30-35%	38%	57%	49%	37%	37%	Met
Rationale for Met Range: Data assessment metrics to meet the target allow for an actual number in the range 34-39 percent.							

Data Assessment of Performance Measure 3.1.1

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

- **Completeness of Data** — Data for successfully reporting on the effectiveness ratio are based on the annual provision and use of food aid. Total quantities of commodities and how these commodities are used by the beneficiary in the country of donation is compiled and analyzed by USDA. Data include food aid provided by the Department.
- **Reliability of Data** — Data are reliable, of good quality, and used by agency officials to highlight the success and impacts of food aid programs and strengthen food security.
- **Quality of Data** — Data for successfully verifying the quantities and use of food aid commodities in which USDA analyzes to show the effectiveness of food aid are captured through the USDA Food Assistance Division database. The outcome from the analysis also is further confirmed through a variety of credible sources, including:

– Reports from USDA and U.S. Department of State personnel at overseas posts;
– Program activity reports as provided by USDA partner organizations;
– Follow-on evaluations conducted by USDA;
– Reports from other USDA agencies, the U.S. Department of State, and the U.S. Agency for International Development;
– On-going assessment of the progress of projects; and

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
– Evaluation of activities by outside consulting firms.							

Challenges for the Future

In the *Food Security Assessment, 2010-2020*, USDA estimates that the number of food-insecure people in developing countries will decrease about 7.5 percent from 953 million in 2009 to 882 million in 2010. Despite this drop, the number of food-insecure people will not improve much during the next decade, declining by only 1 percent. While there will be notable improvements in Asia and Latin America, the situation in sub-Saharan Africa is projected to deteriorate after 2010. Food-insecure people are defined as those consuming less than the nutritional target of 2,100 calories per day per person. Any increase or decrease highlights that consumption for large portions of the populations in lower income countries is clustered around the nutritional target. Even a brief economic slowdown or food production shock could result in millions of additional people being subjected to food insecurity. Conversely, a slight improvement in economic conditions can propel people past the nutritional target. USDA will continue to work with other Federal agencies through FTF. The Department also will work with global stakeholders to provide the political momentum and resources needed to address these challenges.

USDA will also continue to improve the efficiency and effectiveness of its food aid programs. The Web-based Supply Chain Management Project and the Food Aid Information System will bring improved technology and up-to-date information to the grants process. Implementation of both systems will take place in FY 2011. The implementation will require testing, training, and resources. Increasing efficiency will be important to help offset expected increases in commodity prices and the budget environment.

Objective 3.2 Enhance Americas Ability to Develop and Trade Agricultural Products Derived From New Technologies

3.2.1 Cumulative number of genetically engineered plant lines reviewed by USDA and found safe for use in the environment

Overview

USDA takes a science-based approach in regulating products derived from new technologies, such as genetic engineering (GE). GE is a precise and predictable method used to introduce new traits into plants and animals by moving genetic elements from one or more organisms into another. This system allows for the safe development and use of agricultural goods derived from genetic engineering. These technologies provide increased production options to agricultural producers. Before a GE crop can be commercialized, the Department thoroughly evaluates it to ensure there is no plant-pest risk. This evaluation process enhances public and international confidence in these products.

After a GE organism has been extensively field tested and demonstrates no plant pest risk, the developer may petition USDA for a nonregulated status. The Department also acts proactively to include the public in its regulatory processes. It gives the public a chance to comment on substantive regulatory changes and proposals through Federal Register notices and rulemaking procedures. USDA approves a petition when it is determined that the plant-pest risks posed by the GE organism are not greater than its nonGE counterparts.

Analysis of Results

The performance measure is unmet.

The Department processed approximately 91,000 constructs during FY 2010, compared to 63,000 in FY 2009. Each construct requires individual environmental analyses. Technological and scientific advancements result in new crops and traits, concurrently increasing the complexity of sound regulatory decisions.

USDA tracks the cumulative number of GE crops it no longer regulates. When a GE plant line is no longer regulated, the developer is free to sell the product to producers who then make it available to growers. This process demonstrates the new and innovative GE technologies that have the potential to enter the marketplace and enable the U.S. to compete in international trade. USDA set a goal to approve five GE plant lines in FY 2010. It fell short of meeting the target and only approved three lines.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
3.2.1 Cumulative number of genetically engineered plant lines reviewed by USDA and found safe for use in the environment	70	74[1]	76[2]	78[3]	85	81	Unmet

[1,2,3]USDA reviewed the calculation methodology for this performance measure and discovered that a previous deregulation of a plant line was accounted for in the wrong fiscal year – the data for 2007 was off by one and the following fiscal years were adjusted accordingly.

Data Source: Data regarding the cumulative number of approved petitions for deregulated status are available at http://www.aphis.usda.gov/biotechnology/not_reg.html.

Rationale for Met Range: The cumulative number of genetically engineered (GE) plant lines reviewed by USDA and found safe for use in the environment is an indicator of the GE technologies that can be commercialized by their developers. Some deregulated GE plant lines do not reach the market – this is a business decision made by the developer. USDA has established an ambitious target to increase the number of deregulation decisions by 5-8 from FY 2008 through FY 2012 because of the implications of deregulation decisions for GE developers, and ultimately, agricultural producers who may choose to use GE technology. The FY 2011 and FY 2012 targets are a cumulative 92 and 100 deregulations of GE plant lines, respectively.

Data Assessment of Performance Measure 3.2.1

- **Completeness of Data** — USDA maintains the currency of its Web site – new petition requests are updated weekly. When a petition request is granted, the Web site is updated to reflect its decision.
- **Reliability of Data** — This performance measure serves as an indicator of the rate of the petition process. The data is used by both internal managers and external stakeholders as an authoritative source of information. The measure is currently included in the USDA High Priority Performance Goals and was validated by the Office of Management and Budget as an effective measure for the overall program.
- **Quality of Data** — USDA has a series of checks and balances to ensure that the information reported on its Web site accurately reflects the decisions made regarding the deregulation of genetically engineered plant lines. This information is also transmitted to the public via the Federal Register to ensure transparency of regulatory decision making.

Descriptions of Actions for Unmet Measures

Many factors contributed to USDA not meeting the target. Several lawsuits have challenged USDA's environmental documentation. These challenges have necessitated more extensive environmental analysis for each petition. The number and complexity of issues submitted during public comment periods have increased significantly. The Department reviewed 21 petitions for nonregulated status for GE plants. Historically, USDA reviewed approximately four to five petitions per year. The unprecedented volume of petitions has greatly affected the timeliness of the decision-making process. In addition, the steadily increasing number of permit and notification applications for field trials and other programmatic activities has affected the speed of decisions. The Department is taking steps to address the increasing workload and to improve the deregulation process.

Lawsuits involving Round-Up Ready alfalfa and sugar beets recently challenged the processes USDA had in place when considering petitions for deregulations. While the Department approved the deregulation of these plant lines based on sound science and regulatory authority, after examining the deregulation processes and procedures, it reviewed the petition process. Special attention was paid to steps hindering time to deregulate, enhancing quality assurance, and improving quality control methods. In FY 2011, USDA will finalize its project plan to undertake specific process improvement actions. These actions will establish new timeframes for intermediate process steps. They also will revise tracking mechanisms from receipt of petition to publication of a decision and train staff to use consistent and thorough implementation of the step in the revised petition process.

The implications of the two court cases indicated a need to strengthen the Department's internal National Environmental Policy Act (NEPA) processes and procedures. NEPA establishes national environmental policy and goals for the protection, maintenance, and enhancement of the environment. It also provides a process for implementing these goals within Federal agencies. USDA created a new unit to prepare and oversee the development of NEPA documents to better inform petition decisions. The Department established a system to assist in the development of environmental documentation while also allowing itself to focus on complex and controversial initiatives. This process is consistent with other Federal agencies and departments that oversee the development of environmental documents. To improve transparency and public involvement in the NEPA process, USDA will continue to improve outreach capacity through Web site improvements and direct communication to stakeholders and interested parties.

Challenges for the Future

Legal challenges over USDA decisions to deregulate GE crops emphasize their controversial nature. Legal challenges require an enormous investment of resources—the same resources invested in petition review processes and procedures. Legal challenges will dramatically affect USDA's ability to meet the targeted performance.

The public will continue its vigilance over the development of GE agricultural products. The Department will continue its commitment to ensure public participation in its regulatory decision making. USDA will post ample notice in the Federal Register, host public meetings when appropriate, organize stakeholder engagements, and update the Web site. Such engagement requires an investment in resources and impacts the rate at which USDA is able to undertake petition reviews.

Strategic Goal 4: Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals

A plentiful supply of safe and nutritious food is essential to the well-being of every family and the healthy development of every child in America. USDA supports and protects the Nation's agricultural system and the consumers it serves. The Department safeguards the quality and wholesomeness of meat, poultry, and egg products. USDA also provides nutrition assistance to children and low-income people who need it. It also addresses and prevents loss and damage from pests and disease outbreaks.

The Department works to improve the healthy eating habits of all Americans, especially children. Science has established strong links between diet, health, and productivity. Even small improvements in the average diet will yield large health and economic benefits. USDA's programs provide an infrastructure that enables the natural abundance of U.S. lands in combination with the ingenuity and hard work of the Nation's agricultural producers. This combination creates a food supply system unparalleled in its abundance, safety, and quality.

USDA helps put a healthy diet within reach of every American consumer by increasing access to nutritious food; promoting healthy diet and physical activity behaviors; protecting public health by ensuring food is safe; and protecting agricultural health by minimizing major diseases and pests to ensure access to safe, plentiful, and nutritious food.

Objective 4.1 Increase Access to Nutritious Foods

4.1.1 Participation levels for major Federal nutrition assistance programs SNAP (millions per month)

Overview

The Supplemental Nutrition Assistance Program (SNAP) is the foundation of America's nutrition assistance program system. SNAP provides benefits that can be used to purchase food at authorized retailers for preparation and consumption at home. It makes resources that can be used for food available to most households with little income. Benefit levels are based on the Thrifty Food Plan, a representative healthful and minimal cost meal plan that shows how a nutritious diet may be achieved with limited resources. The benefit levels are adjusted based on the economic circumstances of participating households.

Analysis of Results

USDA met its performance target. In FY 2010, the Department and its program delivery partners sustained effective access to SNAP. Average monthly participation reached 39.2 million in 2010, within the range (37.5 million-43.5 million) for the 2010 target of 40.5 million.

Program participation increased almost 17 percent during FY 2010. USDA's efforts to support and encourage SNAP participation included:

- Continued efforts with states to develop outreach strategies. Forty-four out of 53 State agencies — up from 40 in FY 2009 — now have formal outreach plans or other documented outreach activity;
- Supported innovative state practices to promote access by simplifying the application process. Twenty-six States use an Internet-based application filing system. Nearly 30 States allow telephone interviews. Twenty-seven States use call centers;
- Implemented the Defense Appropriations Act of 2010 to provide $400 million in administrative funding to states in further response to the economic downturn; and
- Provided numerous strategies to help States manage workloads because of increasing participation and decreasing State resources due to the economic downturn. These strategies include policy waivers; a workload management matrix tool; a program access toolkit; and encouragement of

broad-based categorical eligibility to improve access to applicants and simplify policies for state administration.

USDA also estimates the number of people eligible for the program along with the rate at which eligible people are participating. The latest study shows that, in 2008, 67 percent of all persons eligible for SNAP participated. While the number of those eligible continued to grow rapidly in 2008, increasing by 5.5 percent over the 2007 level, the number of participants increased by 7 percent. Also in 2008, participants received 84 percent of all benefits available if every eligible person participated. This number indicates that the program is effectively reaching those most in need.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
4.1.1 Participation levels for the major Federal nutrition assistance programs (millions per month): Supplemental Nutrition Assistance Program Avg.(Monthly) participation (millions)	26.7	26.5	28.2	33.5	40.5	39.2	Met

Rationale for Met Range: Thresholds for 4.1.1 reflect the margin of error in forecasts of future participation. For SNAP participation, results from 2 independent assessments suggest that predictions of the number of SNAP participants are accurate to within plus-or-minus 7.5 percent (on average). This reflects the pattern of variance between actual and target performance during the past 5 years.

- For 2010, this percentage thus allows for actual performance that meets the target in the range of 37.5-43.5 million for SNAP.

Data Assessment of Performance Measure 4.1.1

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

- **Completeness of Data** — Figures represent 12-month, fiscal year averages. Participation data are collected and validated monthly before being declared annual data. Reported estimates are based on data through April 30, 2010, as available July 1, 2010.
- **Reliability of Data** — The data are highly reliable. Participation-data reporting is used to support program financial operations. All of the data are used in published analyses, studies, and reports. They also are used to support dialogue with and information requests from the U.S. Government Accountability Office, the Office of Inspector General, and the Office of Management and Budget.
- **Quality of Data** — As described above, the data used to develop this measure are used widely for multiple purposes, both within and outside USDA. The measure itself is reported in stand-alone publications as an important, high-quality indicator of program performance.

Challenges for the Future

Studies indicate that some SNAP-eligible people are not participating due to a lack of awareness of their eligibility. Efforts to improve access to and promote awareness of SNAP, and seeking improvements in policy and operations that make applying easier are ongoing challenges.

The quality of program delivery by third parties—hundreds of thousands of State and local government workers and their cooperators—is critical to USDA's efforts to reduce hunger and improve nutrition. Proper program administration, including timely determination of eligibility, is of special concern.

4.1.2 Improve SNAP payment accuracy

Overview

Ensuring that SNAP and other Federal nutrition assistance programs are administered with integrity is central to USDA's mission. Waste and abuse draw scarce resources away from the children who need them the most. Just as importantly, the programs are ultimately not sustainable without public confidence that benefits go to those who qualify, are used appropriately, and achieve their intended purposes. The Department seeks to increase food security and reduce hunger in a manner that inspires public confidence that taxpayer dollars are used wisely.

Designed to respond to economic conditions, participation in the program has recently grown and benefits have increased, yet USDA remains strongly committed to program integrity. The Department takes its stewardship responsibilities for tax payer dollars seriously through an established Quality Control (QC) system and long-standing support for payment accuracy initiatives. The Department continuously works to improve payment accuracy through partnerships with States, and regulatory and statutory requirements for a system that rewards exemplary program performance while holding low-performing states accountable. It also uses an early detection system to target states that may be experiencing a higher incidence of errors based on preliminary QC data. Actions then are taken by regional offices to address these situations in the individual states.

Analysis of Results

The FY 2010 result is deferred, and will be reported in the FY 2011 PAR. SNAP payment accuracy reached a record-high 95.64 percent in 2009, the latest for which data are available. The number reflects the excellent performance by State agencies in administering the program. This combined rate reflects 3.53 percent in overpayments and 0.83 percent in underpayments for a total of 4.36 in erroneous payments.

Forty-seven States had a payment accuracy rate greater than 94 percent, including 29 States with rates greater than 96 percent. These figures are up from the 35 States with 94 percent accuracy and 15 with 96 percent accuracy the previous year.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
4.1.2 Improve SNAP Payment Accuracy Rate	94.2%	94.4%	94.3%	94.9%[1]	95.0%	Not Available	Deferred

[1]Data reported for 2006 in the Annual Performance Report has been adjusted to its proper value. The 2009 figure is based on data available after the Annual Performance Report was released.

FY 2010 data will be available in 2011. USDA doesn't tabulate data until states' SNAP data are received.

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

- For 2010, this confidence level allows for actual performance that meets the target in the range 94.7-95.3 percent.

Data Assessment of Performance Measure 4.1.2

SNAP, formerly the Food Stamp Program, uses annual payment accuracy data from the QC process to support SNAP management. The data are based upon statistically valid methodology. The QC process uses a systematic random sampling of SNAP participants to determine a combined payment error rate for each state. The combined error rate is composed of over-issuances and under-issuances of SNAP benefits. A regression formula is applied to the results of the reviews to calculate official error rates. State agencies review selected cases monthly to determine the accuracy of the eligibility and benefit-level determination. The process includes a client interview and verification of all elements of eligibility and the basis of issuance. Federal reviewers validate a sample of the state's reviews by conducting a re-review. The process has proven to be a sound method of calculating reliable data.

- **Completeness of Data** — The most current data available for this measure are for FY 2009. The payment accuracy rate of 95.64 percent exceeded the performance goal/measure target. FY 2010 performance will be deferred until next year's report.
- **Reliability of Data** — QC data are valid and accepted by state SNAP agencies as a basis for performance-incentive payments and penalties. The U.S. Government Accountability Office and the Office of Inspector General also use it regularly.
- **Quality of Data** — As described above, the data used to develop this measure are used widely for multiple purposes, both within and outside USDA. The measure itself is frequently cited as an important, high-quality indicator of program performance.

Challenges for the Future

The most critical challenge impacting future success is continuing resource limitations for State agencies. State budgets have been and will continue to be extremely tight. This factor could hurt State performance in payment accuracy. USDA will continue to provide technical assistance and support to maintain payment accuracy in the context of this difficult program environment.

4.1.3 Participation levels for the school meals programs (millions of children per school day)

Overview

The National School Lunch Program (NSLP) and the School Breakfast Program (SBP) support schools in ensuring access to nutritious food for the children they serve. The programs provide per-meal reimbursement to State and local governments for meals and snacks served. All meals must meet Federal nutrition standards to qualify for reimbursement.

NSLP serves lunches and snacks in more than 101,000 schools and residential child-care facilities. More than 60 percent of meals are served to low-income children for free or at a reduced price.

SBP helps school children start the day ready to learn by serving breakfast in more than 88,000 schools and residential child-care facilities. More than 80 percent of meals are served free or at reduced price to low-income children, with more than 75 percent of participating schools serving low-income areas.

Analysis of Results

USDA met its target for this performance measure. In FY 2010, USDA and its program delivery partners sustained effective access to school meals. The increased use of direct certification for free school meals for children enrolled in means-tested programs such as SNAP or the Temporary Assistance for Needy Families (TANF) Program has helped to provide easy access to school meal benefits. During the 2008-09 school year, 78 percent of school districts used direct certification, up from 67 percent in the prior year. TANF provides financial assistance for children and their parents or relatives who are living with them.

NSLP participation levels reached 31.8 million in FY 2010, within the met range (30.5 million-33.7 million) for the 2010 target of 32.1 million. Participation increased slightly from FY 2009, continuing the trend of increases in recent years. SBP participation levels reached 11.6 million in FY 2010, within the met range (11.1 million-12.3 million) for the 2010 target of 11.7 million.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
4.1.3 Participation levels for the school meals programs (millions)							
• National School Lunch Program Avg. (daily)	30.1	30.5	30.9	31.6	32.1	31.8	Met
• School Breakfast Program Avg. (daily)	9.8	10.1	10.6	11.0	11.7	11.6	Met

Historical figures for FY2006-FY2008 have been revised from those published in the Annual Performance Report to reflect more recent data.

Rationale for Met Range: Thresholds for 4.1.3 reflect the margin of error in forecasts of future participation, estimated at 5 percent for the school meals programs. This reflects the pattern of variance between actual and target performance for both programs during the past 5 years.

For 2010, this percentage range allows for actual performance that meets the targets in the range of 30.5- 33.7 million for the National School Lunch Program and 11.1-12.3 million for the School Breakfast Program.

Data Assessment of Performance Measure 4.1.3

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

- **Completeness of Data** — Figures for NSLP and SBP are based on 9-month (school year) averages. Participation data are collected and validated monthly before being declared annual data. Reported estimates are based on data through April 30, 2010, as available July 1, 2010.
- **Reliability of Data**— The data are highly reliable. Participation-data reporting is used to support program financial operations. All of the data are used in published analyses, studies and reports. They also are used to support dialogue with and information requests from the U.S.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
Government Accountability Office, the Office of Inspector General, and the Office of Management and Budget. • **Quality of Data**— As described above, the data used to develop this measure are used widely for multiple purposes, both within and outside USDA. The measure itself is reported in stand-alone publications as an important, high-quality indicator of program performance.							

Challenges for the Future

While almost all school children have access to Federally-subsidized school lunches, significantly fewer schools operate SBP. USDA will work to ensure that all students are able to start the day with a nutritious breakfast, at home or at school.

As with other nutrition assistance programs, the Department relies on its partnerships with third parties—hundreds of thousands of state and local government workers and their cooperators— to sustain effective school meals program delivery.

4.1.4 Participation levels for the WIC program (millions per month)

Overview

The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) is a critical component of the nutrition assistance safety net. WIC's major objective is to address the nutrition needs of low-income pregnant, breastfeeding, and postpartum women, infants, and children up to 5 years of age who are found to be at nutritional risk.

Analysis of Results

The measure was met. In FY 2010, average monthly WIC participation was approximately 9.2 million participants, within range (9.2 million-9.8 million) for the 2010 target of 9.5 million. USDA continued to meet its ongoing commitment to provide sufficient program resources to support participation for all eligible people who apply for benefits.

The Department also estimates the number of people eligible for WIC and calculates the rate at which eligible people are participating. The latest study shows that, in 2007, WIC served an estimated 59 percent of the population eligible for benefits. This figure reflects participation by more than 80 percent of eligible infants, 66 percent of eligible pregnant women, more than 85 percent of eligible breastfeeding women, and 71 percent of eligible postpartum women.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
4.1.4 WIC Program average monthly participation (millions)	8.1	8.3	8.7	9.1	9.5	9.2	Met
Rationale for Met Range: Thresholds for 4.1.4 reflect the margin of error in forecasts of future participation, estimated at 3 percent for the WIC program. This reflects the pattern of variance between actual and target performance for both programs over the past 5 years. • For 2010, this percentage thus allows for actual performance that meets the target in the range of 9.2-9.8 million for WIC.							
Data Assessment of Performance Measure 4.1.4							
WIC participation data are drawn from USDA administrative records. State agency reports are certified accurate and submitted to regional offices. There, they are reviewed for completeness and consistency. If the data are acceptable, the regional analyst posts them to the National Data Bank (NDB) Preload System. NDB is a holding area for data review prior to release. Otherwise, regional-office personnel reject the report and the State agency is contacted. Data posted by regional personnel into NDB are reviewed at USDA. If data are reasonable and consistent with previous reports, they will be downloaded to NDB for public release. If not, USDA works with regional offices and States to resolve problems and inconsistencies. This process of review and revision ensures that the data are as accurate and reliable as possible. • **Completeness of Data** — Figures represent 12-month, fiscal year averages. Participation data are collected and validated monthly before							

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
being declared annual data. Reported estimates are based on data through April 30, 2010, as available July 1, 2010. • **Reliability of Data** — The data are highly reliable. Participation-data reporting is used to support program financial operations. All of the data are used in published analyses, studies and reports. They also are used to support dialogue with and information requests from the Government Accountability Office, the Office of Inspector General, and the Office of Management and Budget. • **Quality of Data** — As described above, the data used to develop this measure are used widely for multiple purposes, both within and outside USDA. The measure itself is reported in stand-alone publications as an important, high-quality indicator of program performance.							

Challenges for the Future

Ensuring that adequate, timely funding is available to USDA's program partners to support participation among all eligible applicants is an ongoing challenge. Scarce discretionary budget resources add to this challenge. The Department and its partners must continue to work together to manage funds carefully and maintain efficient operations to serve all those in need.

Objective 4.2 Promote Healthy Diet and Physical Activity Behavior

4.2.1 Nutrition guidance, education and promotion materials distributed

Overview

Good nutrition and physical activity are important throughout the life cycle. Both, combined, are major forces to be used to help reduce the rates of obesity among different segments of the U.S. population, especially among children. Good nutrition and physical activity will help reduce the obesity epidemic and help prevent the chronic diseases associated with unhealthful dietary practices, such as diabetes, cardiovascular disease, and high blood pressure. To encourage Americans to eat well and be more physically active, USDA uses Federal nutrition policy and nutrition education — both for the general public and those served by nutrition assistance programs. This work helps provide scientifically based information about healthful diets and lifestyles.

The Department values the trust the public has in the information it provides — information that is based on the most recent, credible science. In addition, during the past few decades, evidence-based systematic reviews have replaced expert opinion as the predominant basis for health-related treatment guidelines and policy. In response, USDA created the Nutrition Evidence Library to specialize in conducting systematic reviews to inform nutrition policy and programs. For the first time, the Department and the U.S. Department of Health and Human Services used the Nutrition Evidence Library to update the 2010 *Dietary Guidelines for Americans*.

USDA uses the *Dietary Guidelines* and the MyPyramid food guidance system, to advise people in the U.S. on how to improve their overall health through proper nutrition. MyPyramid, located at MyPyramid.gov, implements the guidelines through a network of educational tools. The Department will continue to use the Nutrition Evidence Library to conduct systematic reviews of the science that represents the foundation of its policy and nutrition education tools. It also will continue encouraging partners and "information multipliers" — such as healthcare providers, supermarkets, and school teachers — to maximize the reach and impact of nutrition education messages, both within Federal nutrition-assistance programs and with the general public.

Other key FY 2010 accomplishments include:

- Continuing the collaborative effort to increase all communication of dietary and physical activity guidance messages. Partnering with MyPyramid, with more than 230 members, showcases the role of various industries and others (e.g., youth groups) as Government partners to encourage healthier eating and physical activity behaviors among families. The partnership is designed to empower nutrition gatekeepers by providing easy to apply guidance for modeling a healthy lifestyle. It also provides information to help them make healthy food choices for themselves and their families where they prepare food, work, play, and purchase food; and

- USDA released its newest educational tool: MyFood-A-Pedia, located at MyPyramid.gov, this mobile tool provides consumers quick access to nutrition information for more than a thousand foods. Consumers can check calorie amounts, the contribution of a food to the food groups, and the amount of extra calories from solid fats, added sugars, and alcohol in a food.

Analysis of Results

USDA did not meet the target for this performance measure. USDA continued its leadership role in promoting nutrition guidance through educational tools designed to motivate people to live healthier. The Department distributed more than 1.6 billion pieces of nutrition guidance materials via the Web and in print. Since the implementation of the 2005 *Dietary Guidelines for Americans*, USDA distributed more than 22 billion pieces of nutrition guidance materials. The 2010 distribution level, while substantial, fell short of USDA's goal – a change from the years immediately following the release of the 2005 *Dietary Guidelines for Americans*. During that time, distribution performance typically exceeded goals.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
4.2.1 Nutrition guidance, education and promotion materials distributed (e-hits and print materials) (billions of pieces of information)	1.5	2.6	3.2	3.5	3.0	1.7	Unmet

This legacy performance goal, part of the 2010 Annual Performance Plan, will be dropped for FY 2011. A new measure has been developed for future planning and reporting.

Rationale for Met Range: The precision of USDA's tracking systems and forecasting methods allow for actual figures to meet the 2010 target in the range 2.8-3.2 billion. Thresholds reflect trends of MyPyramid.gov "hits" and print materials distributed (MyPyramid and the Dietary Guidelines for Americans).

Data Assessment of Performance Measure 4.2.1

Data on the application and usage level of nutrition guidance tools are drawn from electronic records associated with http://www.mypyamid.gov/MyPyramid.gov, survey analysis, and from inventory records of print materials.

- **Completeness of Data** — Data related to MyPyramid.gov are collected instantaneously, indicating the number of e-hits to the Web site and the number of registrations to MyPyramid Tracker. However, data for October-December 2009 were not available for all parts of the site due to system problems. Estimates based on prior year performance were used for this portion of the performance period. For print materials, data from national headquarters represent counts of what was distributed among divisions of Food, Nutrition, and Consumer Services.
- **Reliability of Data** — The data are highly reliable. The number of hits is instantaneously recorded, the online survey is continual and well-tested, and the number of distributed print materials is tracked.
- **Quality of Data** — The data are used to report on the success of the MyPyramid Food Guidance System. Because of the simultaneous recording of MyPyramid.gov usage, and the thoroughness and continual nature of the customer satisfaction survey, usage and customer satisfaction levels are a high-quality indicator of the degree to which USDA promotes, and customers respond to, interactive tools and print materials designed to help Americans personalize their diets. With a change in the system used to record MyPyramid.gov usage, the Department will again be able to rely on the quality of the data to report whether performance goals have been met.

Descriptions of Actions for Unmet Measures

The number of nutrition education materials distributed via the Web and print materials is a direct measure of the degree to which people will seek information that will help them make prudent decisions about their diet and lifestyle. Typically, a drop in the numbers of requests is anticipated prior to the release of the next edition of the Dietary Guidelines (in this case, the 2010 *Dietary Guidelines for Americans*). In 2010, the tremendous public, press, and nutrition community interest in the concluding activities of the 2010 Dietary Guidelines Advisory Committee, and the release of its advisory report resulted in a larger drop in requests than expected with the view that new information was looming.

However, with the upcoming release of the 2010 *Dietary Guidelines* policy document, the publicized future release of a revamped food pyramid icon, and the pending updated educational materials and modernized on-line nutrition education tools in 2011, USDA expects to exceed its target for Web-accessed and print materials in 2011.

Challenges for the Future

USDA must craft actionable, understandable, science-based, and consistent nutrition messages and nutrition education programs. This communication should promote positive behavioral change to help people make better food choices requires understanding their current choices. There also must be an awareness of the relationships between these choices and their attitudes towards and knowledge of diet/health links. The data that can address this information gap, however, are limited.

The ability of existing nutrition guidance and promotional materials to achieve behavior change remains challenging. Limited resources are available for nutrition promotion relative to other messages, products and practices in the food marketplace. Physical activity and other lifestyle issues also significantly impact body weight and health.

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

OBJECTIVE 4.3 PROTECT PUBLIC HEALTH BY ENSURING FOOD IS SAFE

4.3.1 Reduce overall public exposure to Salmonella from broiler carcasses

4.3.2 Reduce total illnesses from all FSIS-regulated products

4.3.3 Increase the percentage of establishments with a functional Food Defense Plan (large, small and very small establishments)

Overview

USDA is committed to ensuring Americans have access to safe, nutritious, and balanced meals. Today, as many as one in four Americans experience a foodborne illness annually.[2] The Department takes a farm-to-table approach to reducing and preventing foodborne illness. USDA invests in its workforce and data infrastructure to prevent harm to consumers by reducing the incidence of food contaminants, and quickly identifying and preventing outbreaks. Effective food safety inspections and enforcement depend upon timely, quality data and analysis.

The Department protects public health by ensuring that meat, poultry, and processed egg products are safe, secure, wholesome, and correctly labeled and packaged. Currently, USDA is focused on protecting the food supply and preventing illnesses from *Salmonella*, *Listeria monocytogenes (Lm)*, and *E. coli* O157:H7. These three bacterial pathogens are known to cause human illness, hospitalization, and death.

The Department is also working to better verify that effective food safety systems are being implemented in USDA-regulated slaughter and processing establishments. It trains inspection personnel and has developed an automated system to alert inspectors about potential food safety problems through effective inspection data analysis according to risk. These actions give inspectors greater and timelier access to establishment performance data.

[2] Based upon the estimated 76 million annual number of domestically acquired foodborne illnesses, Mead et al. (1999). Mead PS, Slutsker L, Dietz V, McCaig LF, Bresee JS, Shapiro C, Griffin PM, and Tauxe RV. “Food-related illness and death in the United States”. *Emer Infect Dis*: 1999, 5(5):607-25.

USDA uses three key measures to assess its performance to ensure that food is safe:

- Increase the percentage of federally inspected establishments in "Category 1," reducing overall public exposure to generic *Salmonella* from broiler carcasses. Establishments are placed in Category 1 if they demonstrate consistent process control in USDA *Salmonella* verification testing.[3]
- Total Illnesses from all Food Safety Inspection Service (FSIS)-regulated products: *Salmonella*, *Lm*, and *E. coli* O157:H7 (All-Illness Measure). The All Illness Measure is aimed at reducing *Salmonella*, *Lm*, and *E. coli* O157:H7 illnesses from USDA-regulated products. Of the illnesses attributed to USDA-regulated products in 2009, 97 percent of illnesses came from *Salmonella*, .23 percent from *Lm*, and 2.8 percent from *E. coli* O157:H7. This is the equivalent of 1 illness for every 298,796 servings of meat and poultry products consumed annually.[4]
- Increase the percent of federally inspected establishments with a functional food defense plan (large, small and very small establishments).USDA measures the industry adoption of functional food defense plans. These plans assist industry in preventing intentional contamination of food products, thereby protecting public health and reducing the negative economic impact on the food infrastructure.

Analysis of Results

USDA did not meet its goals for 4.3.1 and 4.3.2, but exceeded its goal for 4.3.3.

4.3.1 Reduce overall public exposure to Salmonella from broiler carcasses

USDA employs a "category" system to measure the *Salmonella* performance of establishments producing raw products. Selection of the category system was partially based on the long-term evidence from USDA regulatory samples (collected between 1998 and 2004). These samples showed a statistically significant difference in the likelihood of serotypes of *Salmonella* in Category 2 establishments compared to Category 1 establishments. USDA compares how many establishments are in Category 1 from one quarter to the next and from one year to the next. Category 1 represents establishments that have results from their two most recent completed sample sets that are at or below half of the performance standard. Category 1 represents the highest measure attainable by establishments. Category 2 represents establishments that have achieved greater than 50 percent on at least one of the two most recent test sets without exceeding the performance standard or baseline guidance. Category 3 represents establishments that have exceeded the performance standard or baseline guidance on the most recent USDA test set. As more establishments attain Category 1 status, USDA believes that fewer people will be exposed to *Salmonella* from raw classes of Department-regulated products.

4.3.2 Reduce total illnesses from all FSIS-regulated products

The Department calculates a measure that estimates all foodborne illnesses for *Salmonella*, *Lm*, and *E. coli* O157:H7 from USDA-regulated products. Objectives for this measure are set using a combination of data from published case rates from the U.S. Centers for Disease Control's (CDC) FoodNet data and National Outbreak Reporting System (NORS) outbreak data. These case rates are aligned with Healthy People 2010 goals and the HPPG for *Salmonella*. USDA will shift to using quarterly FoodNet pathogen-specific case rates to estimate the total number of foodborne illnesses from *Salmonella*, *Lm*, and *E. coli* O157:H7.

[3] USDA plans to tighten its *Salmonella* performance measure for broilers, which will require a downward adjustment to a lower percentage attained for the FY 2015 performance goal for *Salmonella* broiler carcasses in the first quarter of FY 2011.

[4] Data for this measurement is obtained using FSIS illness estimates and food availability data from ERS. ERS data are available at the following Web site: http://www.ers.usda.gov/Data/FoodConsumption/app/reports/displayCommodities.aspx?reportName=Total%20meat&id=39#startForm

4.3.3 Increase the percentage of establishments with a functional Food Defense Plan (large, small and very small establishments)

The food defense measure was developed with the goal of increasing the number of establishments with a functional food defense plan. Such plans should be developed, written, implemented, assessed, and maintained by establishments if they are to be considered functional. The Department considers these plans to be important measures for preventing intentional product adulteration. It has developed guidance materials to assist in the development and understanding of what constitutes a food defense plan for establishments. This performance metric is measured by the annual USDA Food Defense Plan Survey. The survey gathers data about industry's voluntary adoption of food defense plans. Results from the first survey, conducted in August 2006, established a baseline adoption rate of food defense plans by industry of 34 percent. USDA's goal for the adoption of food defense plans by FY 2015 is that 90 percent of all establishments (large, small, and very small) will voluntarily implement a plan.

Annual Performance Goals, Indicators, and Trends		2006[1]	2007	2008	2009[2]	Fiscal Year 2010		
						Target	Actual	Result
4.3.1	Reduce overall public exposure to Salmonella from broiler carcasses	45%	73%	83%	82%	90%	82%	Unmet
4.3.2	Reduce total Illnesses for all FSIS Products	—	598,087	656,702	615,014	577,262	640,362	Unmet
4.3.3	Increase percent of establishments with a food defense plan	34%	39%	46%	62%	67%	73.6%	Exceeded
	• Large Establishment	81%	91%	96%	97%[9]	90%	97.1%	
	• Small Establishment	48%	53%	64%	72%	75%	82.3%	
	• Very Small Establishment	18%	21%	25%	49%	56%	63.6%	

Data from 2006-2008 represent the percentage of facilities with a written plan, while the data from 2009 and 2010 represents the percentage of facilities with a functional plan, as defined above. Variations from previous year figures and from Annual Performance Plan figures are due to recalculated, more accurate totals.

The FY 2009 baseline in the FY 2011 Budget of 96 percent, 64 percent, and 25 percent has been revised here and reflects actual data collected via the annual FY 2009 FSIS Food Defense Survey as opposed to objectives that were set prior to the survey being conducted.

USDA measures its Salmonella performance in terms of a percentage of broiler chicken processing establishments that are in *Salmonella* performance Category 1. Establishments are placed in Category 1 if they demonstrate consistent process control in Department verification testing.

Rationale for Met Range: Up to April 2010, the performance standards were anchored to 1999 illness burden data and objectives were set for each pathogen using the Healthy People Goals for 2010. USDA shifted to using CDC FoodNet data, which are pathogen-specific case rates updated annually to calculate the burden of foodborne illnesses. These case rates are superior data from 1999 as they are an up-to-date, actual measure of the burden of foodborne illnesses. The final shift in methodology occurred in August 2010 where, at the request of the CDC, USDA shifted to using only simple foods when calculating pathogen-specific attribution fractions. The simple foods methodology only takes illnesses from simple foods, such as chicken or a steak, into account when calculating the pathogen-specific attribution fraction, rather than using complex plus simple foods.

Data Assessment of Performance Measure 4.3.1, 4.3.2, and 4.3.3

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

- Completeness of Data — Results are based upon USDA's laboratory results analyzed as of June 30, 2010. They are the best available indication of FY 2010 fourth-quarter results. Quarterly and annual data are based on sampling at a range of establishments, from very small to large.
- Reliability of Data — The data are reliable because they are based on testing and verification from the USDA's field service laboratories for regulated establishments. Each sample is subjected to highly specific verification testing. The primary goal of these sampling programs is to monitor how well each establishment is maintaining control of food safety through its Hazard Analysis and Critical Control Point, sanitation and supporting programs. USDA recognizes that its verification testing samples for *Salmonella* in raw classes of product and for Lm in ready-to-eat foods are biased in favor of being collected at establishments with poor process controls and/or higher volume. This factor likely results in overestimates in public exposure to these two pathogens. This factor is not the case for *E. coli* O157:H7 because FSIS programs sample every establishment and take into account establishment production volume. USDA is working towards incorporating statistical design into its verification testing programs for *Salmonella* and *Lm* to have true measures of prevalence.
- Quality of Data — The volume adjusted data show that these measures historically correlated with the CDC and Prevention foodborne illness outbreak data.

Descriptions of Actions for Unmet Measures

A primary reason why USDA did not meet the goal of reducing overall public exposure to Salmonella from broiler carcasses was that the poultry industry (broiler and turkey carcass establishments) did not take the requisite steps to improve operational performance. (Second quarter results were 80.47 percent and third quarter 82 percent, an improvement from the beginning of the year.)

The poultry industry relies upon USDA for guidance on the actions needed to make poultry safer. New poultry standards will be announced in a Federal Register notice at the end of November, 2010. The standards will be implemented by January 1, 2011. Due to the fact that Salmonella accounts for the largest number of illnesses in proportion to the other pathogens in the "total illnesses" measure, USDA did not meet the target for that measure. The FY 2010 target for the total number of illnesses from *Salmonella, Lm*, and *E. coli* O157:H7 associated with USDA-regulated products was an estimated 577,262 illnesses. The actual number was an estimated 640,362 illnesses. While USDA has not met the overall performance goal for the all-illness measure, it did meet the performance goal for two of the three pathogens.

Challenges for the Future

Ensuring the safety of the Nation's food supply is a challenge and requires a strong and robust infrastructure coupled with sound science. USDA uses a data-driven, scientific approach to food safety, incorporating public health data critical to combating the ever-changing threats to public health. This is a challenge since the Department has minimal control of animals on the farm or food products once they leave federally inspected establishments. Educating producers about best practices on the farm, and retailers and the public on how to safely store and prepare meat and poultry products is an important requirement for USDA.

While the Department firmly believes that its day-to-day activities directly impact the burden of foodborne illness in this country, it is often challenging to quantitatively relate such USDA activities as pathogen verification testing to reductions in foodborne illness. The Department measures its progress in meeting its public health performance measures quarterly. Consequently, it has also developed an Operational Performance Measures Report to supplement the three key measures reported by USDA. This report will allow the Department to assess whether it is carrying out its regular, routine activities to reduce or prevent contamination of the products it regulates, ensure import activities are carried out appropriately, and provide educational material to the public, amongst other activities. These operational performance measures allow USDA to prioritize activities, inform resource allocation, and identify program area gaps. As the operational performance measures report will be produced monthly, it will allow the Department to measure its progress towards meeting its key objectives before the end of a quarterly reporting period, and allow for mid-reporting adjustments in a more timely and effective manner. Currently, USDA is reviewing the Operational Performance Measure report. Upon completion of the review, the Department intends to include several key operational performance measures in each USDA Quarterly Report.

USDA is also a key partner in the President's Food Safety Working Group (FSWG), which is co-chaired by Secretary of Agriculture Thomas Vilsack. In support of the FSWG recommendation to intensify USDA efforts to meet the performance goal of reducing overall public exposure to *Salmonella* from young chicken carcasses, the Department proposed tightening its performance standard. The proposal was based on results from the 2008 Nationwide Young Chicken Microbiological Baseline. The aim is to reduce the occurrence of *Salmonella,* thereby diminishing the public's exposure to it in USDA-regulated products.

Another food safety challenge is small and very small establishments that often lack the technical knowledge to design and implement food safety systems. To assist establishments, USDA has released a

Compliance Guide for Poultry Slaughter to reduce *Salmonella* and *Campylobacter*. This guide includes the latest information about technologies to reduce those pathogens' occurrence in Department-regulated products. As consumers are increasingly purchasing raw poultry products in 'parts' rather than whole birds, USDA has also initiated a nationwide study of young chicken parts microbiological baseline to learn more about the public's possible exposure to *Salmonella*.

In its work to contain *Lm* and meet future illness reduction goals, USDA is continually challenged as illnesses may occur due to re-contamination of product after it leaves the USDA establishment, for example in retail slicing operations or during the distribution process. The Department does not currently conduct inspection activities at the retail level.

Finally, the Department is working to improve its trace back positive *E. coli* O157:H7 test results. USDA is also working to ensure that its policies evolve to address a broader range of pathogens, beyond *E. coli* O157:H7. This work will ensure that public health and food safety policy keeps pace with the demonstrated advances in science and data about foodborne illness to best protect consumers.

Objective 4.4 Protect Agricultural Health by Minimizing Major Diseases and Pests Ensuring Access to Safe, Plentiful and Nutritious Food

4.4.1 Value of damage prevented and mitigated annually as a result of selected plant and animal health monitoring and surveillance efforts ($ billions)

Overview

USDA ensures access to a diverse supply of fruits, vegetables, meat, and poultry. The Department protects the agriculture production system and defends against plant and animal pests and diseases. There are several programs that contribute towards the prevention and mitigation of economic and environmental damage to U.S. agricultural resources. USDA's monitoring and surveillance programs assist with documenting the health status of U.S. agricultural products. This work results in the prevention and early detection of plant and animal pests and diseases. The Department also conducts various pest and disease programs to limit the damage caused by known pests and diseases. Together, these efforts contribute towards the Nation's overall agricultural health. USDA monitors the health status of agricultural resources and quickly detects and responds to pests and diseases to prevent their spread.

Analysis of Results

USDA met the target for this performance measure. USDA reached the target of preventing and mitigating $1.07 billion in damage to agricultural resources. Several efforts contributed towards meeting the target. The Department enhanced the Nation's capabilities of finding and responding to plant and animal diseases. This work pre-empted any potentially significant damage to the agricultural production system and food supply. USDA's animal health monitoring and surveillance efforts are focused on finding diseases quickly, tracing them to their origin, and preventing their spread.

There were no significant outbreaks of animal diseases in FY 2010. As a result of the increasing diversity of livestock and poultry rearing facilities in the U.S., a more flexible animal disease traceability system is needed to effectively respond to animal disease concerns, and minimize harm to producers. To replace the original effort—the National Animal Identification System, which was perceived as being too intrusive—USDA announced a new approach to animal disease traceability. The Department gathered input from the public through a variety of mechanisms to develop a comprehensive understanding of how to design and deliver an animal disease traceability program. USDA held eight listening sessions with associated public comment periods. It has invited ongoing stakeholder input. These forums enabled the Department to provide details about the framework and learn from industry representatives and producers about how to best support the states and tribes as they develop workable traceability systems. Additionally, USDA distributed informational packets to more than 560 federally recognized tribes. It has worked with the Indian Nations Conservation Alliance to reach out to tribes in nine States. The Department also maintained information systems developed under the previous system that assist with tracing animals potentially exposed to a disease.

USDA continues to develop a specific plan on traceability that is more flexible than the previous system. The new system allows States, tribes, territories, and producers to use their expertise to develop the animal disease traceability approach that works best for them. Detecting an animal disease before many animals have been exposed to it limits the spread of the disease. It allows for more timely eradication and management efforts. The Department estimates that a half week delay in intervention can increase total costs by $135 million, including production and trade losses related to a major disease event. Therefore, the monitoring and surveillance activities are crucial to minimizing and preventing damages to the U.S. livestock industry, and ensuring access to a variety of meat and poultry products.

USDA also prevented and mitigated economic and environmental damage to such other agricultural commodities as grapes. The European Grapevine Moth (EGVM), a significant pest of grapes and other specialty crops, was initially discovered in major grape production areas of northern California in 2009. The pest damages grape production when larvae feed on the flowers and berries; subsequent fungal infection causes further damage. High population densities of EGVM can destroy entire vineyards, resulting in a total loss of grapes at harvest. Other potential impacts include reduced availability of fresh and processed commodities, a decreased number of export markets for the grape and stone fruit industry, and increased costs to both the producers and consumers.

The Department believes that many of the impacts have been avoided due to the rapid response to the initial discovery of the pest. USDA, State, county, and university cooperators continue to conduct survey and regulatory activities, as well as education and outreach efforts. The Department and cooperators have been conducting intense regulatory compliance activities to prevent the movement of infested products from quarantined areas. Growers in affected areas also are conducting treatments to suppress the moth.

Annual Performance Goals, Indicators, and Trends	2006	2007	2008	2009	Fiscal Year 2010		
					Target	Actual	Result
4.4.1 Value of damage prevented and mitigated annually as a result of selected plant and animal health monitoring and surveillance efforts ($ billions)	N/A	$1.37	$1.38	$1.05	$1.07	$1.07	Met

Rationale for Met Range: The value of the agricultural resources protected can vary year to year and are disease and commodity specific. A threshold boundary equal to the economic assumptions for a given year are considered acceptable.

Data Assessment of Performance Measure 4.4.1

Data Source: Data for animal health programs are entered by state partners into a USDA database and verified by Department officials to document the results of surveillance efforts and the health status of the U.S. herd. Data for plant health programs are maintained in the Cooperative Agricultural Pest Survey program database. The estimated value of savings is a calculation of the costs associated with conducting monitoring and surveillance programs versus potential losses of not having these programs in place.

- **Completeness of Data** — USDA maintains the databases and results are entered directly into the system. Should a pest or disease be detected, the Department updates information on its detection and response efforts to plant and animal pests and diseases daily at http://www.aphis.usda.gov/. The pests and diseases of highest concern are easily identified from USDA's Web site.
- **Reliability of Data** — The surveillance results are used by both internal managers and external partners and stakeholders as an authoritative source of information.
- **Quality of Data** — USDA ensures the information reported on its Web site accurately reflects the status of U.S. plant and animal health.

Challenges for the Future

USDA is faced with prioritizing and determining an appropriate Federal response to an increasing number of agricultural health threats. The Department must continually prioritize the list of major pest and disease threats, since these threats are increasing domestically and internationally. In addition, USDA's monitoring and surveillance efforts will need to be adjusted to respond to these threats to protect agricultural resources and ensure that America has access to nutritious foods.

Selected Results in Research, Extension, and Statistics

USDA engages in scientific research and extension work that helps farmers and others involved in producing food and fiber, and statistical analysis designed to aid understanding of agricultural issues. This important facet of USDA's role supports its mission through its strategic goals, as outlined below. The examples provided are a small selection from a large effort to further our understanding.

STRATEGIC GOAL 1: ASSIST RURAL COMMUNITIES TO CREATE PROSPERITY SO THEY ARE SELF-SUSTAINING, REPOPULATING, AND ECONOMICALLY THRIVING

Objective 1.1 – Enhance Rural Prosperity

America's Family Farms. Most U.S. farms—98 percent in 2007—are family-owned operations. While large-scale family farms and nonfamily farms account for 12 percent of those in the U.S., they also comprise 84 percent of the value of production. In contrast, small family farms make up most of the U.S. farm count while producing a modest share of farm output. Small farms are less profitable than large-scale farms, on average, and tend to rely on off-farm income for their livelihood. Generally speaking, farm-operator households cannot be characterized as low-income when both farm and off-farm income are considered. Nevertheless, limited-resource farms still exist and account for 3 to 12 percent of family farms. This research provides decision makers with an ongoing assessment of the economic status of family farms.

Small Farms in the United States: Persistence under Pressure. Ninety-one percent of U.S. farms are classified as small, with gross cash farm income (GCFI) of less than $250,000. About 60 percent of these small farms are very small, generating GCFI of less than $10,000. These very small noncommercial farms, in some respects, exist independently of the farm economy because their operators rely heavily on off-farm income. The remaining small farms—small commercial farms—account for most small-farm production. Overall farm production, however, continues to shift to larger operations, while the number of small commercial farms and their share of sales maintain a long-term decline. This research provides decision makers with an assessment of the current economic status of the Nation's small farms.

Objective 1.2 – Create Thriving Communities

Promoting Local Community Sustainability. Because of the increased demand for local foods, especially by restaurants, USDA-funded extension programs now link growers to consumers. In Oregon, one town has 22 restaurants, 85 small farms/growers, 5 food markets, 3 fishing boats, and consumers participating in a food Web linkage project, in which participants share a wide range of food expertise using the Internet. It is estimated that more than $129,000 in local food trade occurred in 2009 within these groups. As a result of the demand generated by the project, four new farms began production. This production added between $80,000 and $320,000 annually in net income to an economically depressed community. The project can be a model of sustainability for other communities to emulate.

Objective 1.3 – Support a Sustainable and Competitive Agricultural System

Organic Production Survey. The Food, Conservation, and Energy Act of 2008 provided funding for USDA to develop statistics on organically produced agricultural products. The Organic Production Survey results were released in FY 2010 in response to this mandate. The one-time funding provided by the Farm Bill allowed the Department to develop baseline statistics about this quickly expanding and vital sector of U.S. agriculture. Information on this survey and on the Census of Agriculture can be found at http://www.agcensus.usda.gov/.

Decoding the Swine Genome. An international team of scientists, funded with a grant from USDA, has completed the first draft sequence of the genome of a domesticated pig. A genome is the full complement of genetic material within an organism. This first draft sequence will spur advancements in swine production and human medicine. Understanding the swine genome will lead to health advancements in the swine population. It will also accelerate the development of vaccinations for pigs. This new insight into the genetic makeup of the swine population can help reduce disease and enable medical advancements in both pigs and humans.

Improving Sustainability in the Agricultural System. USDA funded the Western Sustainable Agriculture Research and Education (SARE) program to educate and help the agriculture industry become more profitable, protect natural resources and the environment, and improve the quality of life for producers and consumers. The number of separate SARE-impacted farms and ranches which increased profits and/or reduced costs was documented as at least 1,452. Adjacent farms and ranches totaled more than 3,000, impacting 4,178,000 acres. Of these farms and ranches, 82 percent reported the sustained use of the research-based idea or practices tested. Finally, across the 5-year life-span of this cooperative agreement, and across the entire western region, there was a positive economic impact of more than $500 million.

Strategic Goal 2: Ensure Our National Forests and Private Working Lands are Conserved, Restored, And Made More Resilient to Climate Change, While Enhancing Our Water Resources

Objective 2.1 – Restore and Conserve the Nation's Forests, Farms, Ranches, and Grasslands

Participation in Conservation Programs by Targeted Farmers: Beginning, Limited-Resource, and Socially Disadvantaged Operators' Enrollment Trends. Beginning, limited-resource, and socially disadvantaged farmers make up as much as 40 percent of all U.S. farms. Some Federal conservation programs contain provisions that encourage participation by such "targeted" farmers. A 2010 USDA report provided Departmental decision makers with a comparison of the natural resource characteristics, resource issues, and conservation treatment costs on targeted farmers against those of other participants in the largest U.S. conservation programs. Some evidence shows that targeted farmers tend to operate more environmentally sensitive land than other farmers, have different conservation priorities, and receive different levels of payments. The different conservation priorities among types of farmers suggest that, if a significantly larger proportion of targeted farmers participate in these programs, the programs' economic and environmental outcomes could change.

'Recovery', a New Grass Cultivar to Improve Rangeland Restoration. Western wheatgrass is an important native grass in many range land ecosystems. Despite its importance, its low rate of seed production and poor seedling vigor limit its use when quick establishment is needed to stabilize and restore degraded range lands. USDA scientists in Logan, Utah, worked with the Army Corps of Engineers to develop and jointly release 'Recovery', a superior and more easily established western wheatgrass. Developed and tested for more than 10 years, 'Recovery' was designed for reseeding range lands following severe disturbance, frequent wildfires, and soil erosion. With a 20-48 percent increase in the rate of successful establishment, 'Recovery' enables land managers to use a native grass species to help limit weed infestation and soil erosion in systems where reestablishment of wheatgrass is inhibited by frequent disturbances. USDA and the Army Corps of Engineers recommend 'Recovery' for reseeding private, public, and military training lands throughout the northern plains and intermountain west.

Objective 2.2 – Lead Efforts to Mitigate and Adapt to Climate Change

Reducing Greenhouse Gases. In Nebraska, proven technologies and management practices could reduce the pumping of irrigation water by at least 460 billion gallons per year, and energy use by at least 42 million gallons of fuel per year. In addition, for every acre-inch of water not pumped, the environment benefits from 55 pounds of reduced carbon dioxide emissions. This could result in a 490,000-ton reduction of carbon dioxide emissions. Participants in a USDA-funded University of Nebraska program estimated that the skills gained during the educational experiences would allow them to reduce water use between

1.4 and 2.6 inches of water per acre. Increased carbon storage has multiple environmental benefits, such as reduced soil erosion, increased water-holding capacity for plants, and a slower rise in atmospheric carbon dioxide concentrations.

Objective 2.3 – Protect and Enhance America's Water Resources

Use of On-Farm Irrigation. The Farm and Ranch Irrigation Survey (FRIS), conducted every 5 years, provides the only complete, consistent data regarding on-farm irrigation activities in the Nation. The 2008 FRIS, released in FY 2010, provided information that will promote efficient irrigation practices, and ensure long-term sustainability of the Nation's water resources. Statistics were provided on irrigation water use, including application methods, equipment, facilities, expenditures, crop acreage and yield, and many other areas. The survey results are used by industry, Government, and producers. FRIS aids in developing improved technology, more efficient water use practices, and sound programs and policies. The survey can be found under "Census Highlights" at http://www.agcensus.usda.gov/.

Objective 2.4 – Reduce Risk from Catastrophic Wildfire and Restore Fire to its Appropriate Place on the Landscape

Prescribed Burning Reduces Emergence of Invasive Weeds. Common rangeland weed control methods rarely prevent weed seeds already on the ground from germinating and reestablishing the weed population. USDA scientists in Miles City, Montana, evaluated how fire management could reduce seed viability. Seeds of Japanese brome, spotted knapweed, Russian knapweed, and leafy spurge were deposited on the soil surface. Scientists burned the seeds at six fuel loads common to grasslands. The results were compared with a non-burned control. At fuel loads common to the northwestern Great Plains, seedling emergence was reduced 79 to 88 percent. At fuel loads common to the north-central Great Plains, emergence was reduced at least 97 percent. At fuel loads typical of the northeastern Great Plains, emergence probabilities were less than 1 percent for all species except spotted knapweed. Results indicate the high potential for using fire to disrupt the life cycle of invasive species across the northern Great Plains. Reducing invasive weeds through proper fire management provides an affordable method to aid in weed control. It also increases livestock production and protects the ecosystem services of native rangelands.

Strategic Goal 3: Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security

Objective 3.1 – Ensure U.S. Agricultural Resources Contribute to Enhanced Global Food Security

Food Security Assessment, 2009-2010. USDA analysis finds that global food security improved between 2009 and 2010. The improvement is the result of moderation of the global economic downturn. Department analysis warns of a long-term deterioration in food security in some regions, most notably sub-Saharan Africa.

Early-flowering genes identified that accelerate fruit tree breeding. Fruit tree breeding is a slow and expensive process because of the long delay between planting a seedling and the plant's first flowering. Years of breeding and testing can be saved if that time is shortened. USDA scientists have identified and incorporated into breeding stock a gene that promotes early flowering and fruiting. This new gene shortens the juvenile stage of plum trees from 4 years to less than 12 months. Once breeding results are achieved, the genetically engineered early-flowering trait can be removed, which creates a tree that can be categorized as non-genetically engineered. Early flowering and fruiting will allow for the rapid development of new and improved varieties of plum and other fruits, as well as forest and woody ornamental species.

Objective 3.2 – Enhance America's Ability to Develop and Trade Agricultural Products Derived from New Technologies

Trade Negotiations and Policy Analysis. USDA research on trade policy provides decision makers with analysis that evaluates the impact of changes in U.S. and other countries' agricultural trade policies. Department research in support of World Trade Organization (WTO) negotiations has helped to inform and strengthen U.S. negotiating positions on agriculture. WTO is the only international body dealing with the rules of trade between nations. Despite strong critics of WTO, membership continues to grow as countries seek the benefits of expanding trade. Within the organization, member countries trade concessions to gain access to foreign markets, benefiting foreign producers and consumers.

New value-added lentil products. Many people are allergic to gluten (Celiac disease). Gluten is a protein found in cereal grains, especially wheat. The gluten-free market is valued at $700 million. Using extrusion technology, lentil-based snacks rich in gluten-free dietary fiber and protein were developed by USDA researchers in collaboration with the California Departments of Food Science and Human Nutrition and Biological Systems Engineering at Washington State University. The commercialization of lentil-based, gluten-free products will benefit a large number of consumers and increase demand for this commodity.

Objective 3.3 – Support Sustainable Agriculture Production in Food-Insecure Nations

Protecting Global Agricultural Markets. USDA-funded scientists in Arkansas have developed the Arkansas Global Rice Model (AGRM). This model generates a 10-year baseline projection of the global rice market. The baseline includes all major rice producing, consuming, and trading nations. During the past year, AGRM was used to evaluate bio-fuels policies in explaining the spikes in global rice prices in 2008. The research on the global rice economy and analysis of trade protection has received considerable attention from the World Bank, the United Nations, Congress, and many policy decision-makers in the U.S. and the rest of the world. The World Bank, the Organization for Economic Cooperation and Development, the Food and Agriculture Organization of the United Nations, and the Government of Japan have requested assistance from the Arkansas Global Rice Economics Team in developing rice market analysis.

Development of Ug99 Resistant Wheat for Production in Afghanistan and Pakistan. Ug99 causes stem rust, a significant disease of cereal crops. USDA, in partnership with the International Maize and Wheat Improvement Center and the International Center for Agriculture Research in Dry Areas, is working to bring Afghanistan and Pakistan into the Borlaug Global Rust Initiative. The initiative is designed to systematically reduce the world's vulnerability to stem, yellow, and leaf rusts of wheat. It also advocates the evolution of a sustainable international system to contain the threat of wheat rusts, and the continuation of the productivity enhancements required to withstand future global threats to wheat. The partnership strives to help safeguard wheat production in the aforementioned countries. The Food and Agriculture Organization of the United Nations has determined that more than a quarter of the world's wheat crop is vulnerable to Ug99. Both Afghani and Pakistani wheat lacks resistance to Ug99 and are at extreme risk since the rust is advancing towards their wheat growing areas. The Department worked with the Egyptian Agricultural Research Center to provide resistant wheat seed to Afghanistan. They also organized a 3-year project with Pakistan to develop resistant wheat varieties for release in that country.

Strategic Goal 4: Ensure That All of America's Children Have Access to Safe, Nutritious, and Balanced Meals

Objective 4.1 – Increase Access to Nutritious Food

Household Food Security in the United States. Food security for a household means that it can access, at all times, enough food for an active, healthy life. To inform policy makers and the public about the extent to which U.S. households consistently have economic access to enough food, USDA publishes an annual statistical report on household food security in the U.S. The latest report, *Household Food Security in the United States, 2008*, based on data from the December 2008 Food Security Survey and published in FY 2010, provides the most recent statistics on the food security of U.S. households. It documents how much was spent for food, and the extent to which food-insecure households participated in Federal and community food assistance programs. Results show that 85 percent of American households were food secure throughout 2008. The remaining 15 percent of households were food insecure at least some time during that year.

The U.S. Food Environment Atlas. The Atlas is a Web-based mapping tool USDA developed to allow users to compare U.S. counties in terms of their "food environment," the set of factors that help determine and reflect a community's access to affordable, healthy food. The 90 indicators of the food environment currently included in the Atlas cover a wide range of demographic, health, and food access characteristics, most at the county level. The basis of the U.S. Food Environment Atlas is a recognition that factors such as store/restaurant proximity, food prices, food and nutrition assistance programs, and community characteristics, interact to influence food choices and diet quality.

New Dietary Supplement Ingredient Database. A partnership between USDA scientists in Beltsville, Maryland, and the National Institutes of Health, Office of Dietary Supplements, resulted in release of the Dietary Supplement Ingredient Database, Version 1. The database can be found at http://dietarysupplementdatabase.usda.nih.gov. This list of hundreds of multivitamin/mineral products is the first of several related goals to provide better dietary assessments of the American people. This database will be used by researchers who determine how much of various nutrients people consume. Because half the population takes dietary supplements, this new information will make estimates of intake more accurate. It will also lead to better dietary recommendations for health.

Objective 4.2 – Promote Healthy Diet and Physical Activity Behaviors

New Intervention Method Can Decrease Obesity. A USDA-funded integrated research/extension project at the Children's Nutrition Research Center, Baylor College of Medicine, investigated adding a new intervention to Expanded Food and Nutrition Education Program (EFNEP) classes in Texas. At issue was whether it would lead to improved dietary behaviors and lower body mass index (BMI) as compared with groups receiving standard EFNEP classes. BMI is the ratio of a person's weight to height. While both the control and intervention groups' improved dietary behaviors, the intervention group also experienced a significant decrease in BMI. This project demonstrates the potential for EFNEP to significantly impact family dietary behaviors in populations at risk for obesity.

Golden Rice as an Effective Source of Vitamin A. Vitamin A deficiency leads to premature disability and millions of deaths worldwide each year. Scientists from USDA nutrition centers in Houston and Boston proved that golden rice provides enough beta-carotene (an organic compound that can easily be converted to vitamin A) to satisfy the requirements for this essential vitamin. Widespread consumption of golden rice would help eliminate this nutrient deficiency.

Objective 4.3 – Protect Public Health by Ensuring Food is Safe

Fighting Food Pathogens at the Source. Although cattle are important reservoirs of foodborne pathogens, no validated method exists to monitor them on farms. The goal of this project was to improve food safety by developing efficient, effective methods to determine the *E. coli* O157:H7 and *Salmonella* status of pens of feedlot cattle. It also looked to reduce the potential for these foodborne pathogens to be transmitted outside the feedlot. USDA-funded scientists in Nebraska developed and validated a pen-testing protocol as a monitoring tool for feedlot production Hazard Analysis and Critical Control Points (HACCP) Programs. HACCP is a process that has been established for juice, meat, poultry, and seafood processing to prevent foodborne illness. Scientists also look to use the protocol. This work was important to the understanding of when and where food safety pathogens occur in cattle feedlots and enable the development of control strategies.

***Salmonella* Serotyping.** Definitively characterizing *Salmonella* species isolated from foods is a critical issue for USDA. Department scientists in Athens, Georgia, developed a multiplex polymerase chain reaction (PCR) *Salmonella* serotyping technique for high-throughput analysis. PCR is a scientific technique in molecular biology to amplify a single or a few copies of a piece of deoxyribonucleic acid (DNA) to generate thousands to millions of copies of a particular DNA sequence. DNA is a molecule that carries the genetic information of all living organisms. A serotype is a group of organisms, microorganisms, or cells distinguished by how they produce immune-defense molecules. The multiplex PCR assay can identify the top 50 serotypes isolated, which represent 85 percent of all clinically isolated *Salmonella*. It has been adapted to a high-throughput platform by incorporation of capillary analysis of the multiplex PCR products. The impact of the research will be immediate. The technique, which requires little training, could replace traditional serotyping for most *Salmonella* isolates. It facilitates the determination of up to 90 isolates in 24 hours with very little hands-on time at a cost of $1.50 per sample. This result compares to several days and about $40 for traditional serotyping. The technique is currently being tested and validated by several Federal and State public health laboratories in the U.S., and the Public Health Agency of Canada.

E-beam Technology for Developing Poultry Vaccines. Some microorganisms, particularly bacteria, cause serious disease in commercial poultry. They can also be of importance in causing food poisoning in poultry products reaching the consumer. New methods are needed to minimize the effects of such microorganisms. USDA scientists, in collaboration with Texas A&M University scientists, used high energy electron-beam (E-beam) irradiation to render Salmonella non-viable as an infectious agent, while retaining the necessary antigenic properties to stimulate a strong immunological response in poultry. The research established that broiler chickens exposed to E-beam-treated bacteria were much more efficient in fighting off subsequent infections by normal, viable bacteria. This finding suggests that the irradiated bacteria could serve as a vaccine. It also shows that, although vaccines against viruses are well known and relatively easy to create, developing effective ones against bacteria have historically been much more difficult.

X-ray Treatments to Improve Seafood Safety. USDA-funded scientists at Mississippi State University evaluated the use of X-ray technology on oysters and shrimp to reduce bacterial pathogen levels. In half- and whole-shell oysters and ready to eat shrimp, more than 1 million cells of the foodborne pathogens E. coli O157: H7, Salmonella, Shigella flexneri, and Vibrio parahaemolyticus could be killed with X-ray treatments of between 2 to 5 kGy (kGy, or KiloGray, is a unit of radiation measurement). More importantly, X-ray treatment did not kill the oysters even with the highest dose (5 kGy). This research will have a direct impact on producers, particularly in southern States, which are eager for an alternative pathogen intervention process that does not impact product quality.

Objective 4.4 – Protect Agricultural Health by Minimizing Major Diseases and Pests to Ensure Access to Safe, Plentiful, and Nutritious Food

National Network of Labs Detect Diseases Early. The National Plant Diagnostic Network (NPDN) developed links to laboratories in every State. NPDN provides a nationwide network of public agricultural institutions with a cohesive, distributed system to quickly detect high consequence pests and pathogens introduced into agricultural and natural ecosystems, identify them, and immediately report them to appropriate responders and decision makers. ISDA funding has enabled NPDN to increase the cumulative number of specific plant diseases labs within the network prepared to detect from 3 in 2004 to 10 in 2010. Plant disease (and insect) detection criteria have been developed for soybean rust, sudden oak death, Ralstonia stem rot, plum pox virus, pink hibiscus mealybug, potato wart, huanglongbing (citrus greening), Potato Cyst Nematode, Late Blight and Beet Curly Top. The Department also helped fund and provide leadership to establish the National Animal Health Laboratory Network (NAHLN), a multifaceted network comprised of sets of laboratories that focus on different diseases, using common testing methods and software platforms to process diagnostic requests and share information. USDA's work helped enable NAHLN to increase the number of animal diseases that labs within the network can detect.

Genome of the Citrus Greening Bacterium Sequenced. USDA scientists in Fort Pierce, Florida, in collaboration with university researchers, have completely sequenced the genome of *Candidatus Liberibacter asiaticus*. This bacterium is the likely causative agent associated with citrus greening disease. Knowledge of the genome will be used to better understand the microbe's genetic make-up and nutritional requirements. Such knowledge can be exploited to interrupt disease transmission and find cures for the disease.

Selected 2010 Program Evaluations

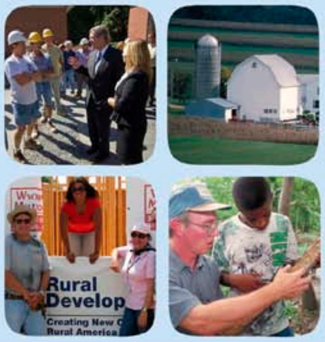
Perform. Measure	Title	Findings and Recommendations/Actions	Availability
2.4.1, 2.4.2, 2.4.3	Managerial Cost Accounting Practices: Department of Agriculture, Forest Service (FY2007 study, action continued in FY2010)	Findings: FS should continue to place a high priority on addressing its remaining financial management and reporting problems. At the same time, the Secretary of Agriculture should direct appropriate FS officials to assess FS managerial cost accounting (MCA) needs and require that they are appropriately addressed in any new systems that are implemented. Actions: In 2010, the USDA Office of the Chief Financial Officer (OCFO) and FS officials assessed and defined its managerial cost accounting needs and requirements. FS assessed its managerial cost accounting needs through participation in the USDA Managerial Cost Accounting Workgroup ongoing discussions led by the OCFO, including discussions in FY 2008-2010 of a strategic framework for MCA practices across the Department. Additionally, at that time, FS, along with USDA's OCFO, was charged with responsibility for identifying and ensuring MCA requirements are incorporated in the cost accounting module of USDA's Financial Management Modernization Initiative (FMMI). The MCA requirements identified included 34 mandatory Financial Systems Integration Office (FSIO) cost management requirements and 12 additional USDA-mandatory requirements. These requirements are to enable USDA-wide cost management, including recording and accumulating financial data, cost distribution and full cost reporting. If fully and effectively implemented, USDA's actions to identify and establish MCA requirements for the FMMI cost accounting module, should enable FS obtain more relevant MCA information to help support decision making at USDA and its components, including FS.	http://www.gao.gov/products/GAO-06-1002R
3.2.1	Managerial Cost Accounting Practices: Department of Agriculture, Animal and Plant Health Inspection Service (APHIS) (FY2007 study, action continued in FY2010)	Findings: To promote the implementation and use of MCA methodologies at APHIS, the Secretary of Agriculture should direct appropriate APHIS officials to finalize and document procedures for using APHIS Cost Management System (ACMS) data fields for MCA as a step toward better informed managerial decision making. Actions: In FY2010, APHIS issued an ACMS User Guide that provided instructions on recording and accumulating cost data into appropriate ACMS data fields in the system's spending and collections module to track costs associated with APHIS information and technology investments. The spending and collections module is to provide important information, such as planned and committed costs related to APHIS program agreements and cost centers. At the same time, APHIS also expanded reporting capabilities in ACMS to include managerial reports for tracking costs for component organizations and programs to include	http://www.gao.gov/products/GAO-06-1002R
		reporting on allocations, agreements, strategic funds,	

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
		forecasting and performance. Further, in March 2010, APHIS conducted three training sessions on using ACMS specifically for APHIS managers who have responsibility for managing agency funding and making spending decisions. Based on these collective APHIS actions, if fully and effectively implemented, APHIS will have greater assurance that relevant managerial cost accounting data is available to support APHIS program decision making.	
4.1.1	Enhancing Supplemental Nutrition Assistance Program Certification: SNAP Modernization Efforts -- Final Report (released first quarter FY2010)	This report uses information from case studies conducted in 14 SNAP agencies in 2009 to describe states' goals for modernization, factors that led to shifts in business practices, and types of changes. These changes include efforts to improve customer service in the local offices, and manage workload, technological innovations, and partnering arrangements. Actions: No recommendations for action.	http://www.fns.usda.gov/ora/MENU/Published/snap/FILES/ProgramOperations/EnhancedCertification_FinalSummary.pdf
4.1.1	Low Income Household Spending Patterns and Measures of Poverty (April, 2010)	This study uses information from the Consumer Expenditure Survey to compare spending patterns across major consumption categories for SNAP households, income-eligible non participating households, and ineligible households with incomes between 130 and 300 percent of poverty. Findings: All three categories spent less than one-quarter of their household income on food, with SNAP participants spending slightly higher percentages than other low-income people. SNAP participants are less likely to have checking and savings accounts than non-participants, and tend to carry much lower account balances. Actions: No recommendations for action.	http://www.fns.usda.gov/ora/MENU/Published/snap/FILES/Participation/SpendingPatterns.pdf
4.1.1	Implementing Supplemental Nutrition Assistance Program in Puerto Rico: A Feasibility Study (June, 2010)	This study assesses the feasibility and effects of adding the Commonwealth to SNAP in place of its current block grant for nutrition assistance to low-income families. Findings: Changing the current SNAP block grant to SNAP in the Commonwealth would increase participation by about 85,000 households, with 220,000 people in an average month, and increase annual costs by roughly $500 million. However, these estimates are highly sensitive to economic conditions and policy choices. Actions: No recommendations for action.	http://www.fns.usda.gov/ora/MENU/Published/snap/FILES/ProgramDesign/PuertoRico.pdf
4.1.1	Summary of Nationwide Electronic Benefits Transfer (EBT) Operations (January, 2010)	Findings: The Office of Inspector General (OIG) concluded that, while FNS generally had adequate controls over EBT processing, there were a small number of instances in which retailers redeemed SNAP benefits using incorrect store authorization numbers. Actions: While OIG made no formal recommendations, FNS agreed to take action to validate and cross-check retailer authorization numbers.	http://www.usda.gov/oig/webdocs/27099-71-Hy.pdf

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
4.1.3	Direct Certification in the National School Lunch Program (NSLP): State Implementation Progress Report to Congress 2009 (released first quarter FY2010)	Presents information on the effectiveness of State and local efforts to directly certify children for free school meals in School Year (SY) 2008-09. Findings: Seventy-eight percent of local education agencies directly certified SNAP-participating students in SY 2008-09. These LEAs enroll 96 percent of all students in NSLP-participating schools. The median direct certification rate was 72 percent in SY 2008-2009. This is up from 69 percent in SY 2007-08. Actions: No recommendations for action.	http://www.fns.usda.gov/ora/MENU/Published/CNP/FILES/NSLPDirectCertification2009.pdf
4.1.3	Child and Adult Care Food Program (CACFP) – Assessment of Sponsor Tiering Determinations – 2008 (released March 2010)	Estimates the accuracy level of CACFP meal reimbursement levels ("tiering"), and related improper payments in 2008. Findings: The level of improper payments was comparable to the estimates from previous years at about 2 percent of total CACFP meal reimbursements. Actions: No recommendations for action.	http://www.fns.usda.gov/ora/MENU/Published/CNP/FILES/CACFPTiering08.pdf
4.1.3	Regional Office Review of Applications (RORA) for School Meals 2008 (released February 2010)	Assesses administrative error associated with the local educational agency's approval of applications for free and reduced-price school meals. Findings: The percent of all students with administrative errors in the processing of their applications for meal benefits has remained relatively stable during the 4-year period, with administrative errors ranging between 3 and 4 percent. Actions: No recommendations for action.	http://www.fns.usda.gov/ora/MENU/Published/CNP/FILES/rora2008.pdf
4.1.3	Analysis of Verification Summary Data School Year 2007-08 (released first quarter FY2010)	Presents results of an analysis of the data on the application verification process reported by States for SY 2007-08. Findings: Of the almost 300,000 applications selected for verification by local education agencies, about half (48 percent) were confirmed at the initial free or reduced price status, 9 percent changed from free to reduced price, 9 percent changed from free or reduced price to paid, 2 percent changed from reduced price to free, and about a third (32 percent) resulted in non response. Actions: No recommendations for action.	http://www.fns.usda.gov/ora/MENU/Published/CNP/FILES/CNVerification2007-08.pdf
4.1.1, 4.1.2, 4.1.3. 4.1.4	Food and Nutrition Service Financial Statements for Fiscal Years 2009 and 2008 (released first quarter FY2010)	Findings: OIG reviewed FNS financial statements for fiscal years 2008 and 2009. FNS' statements received an unqualified opinion. The agency's core financial management system was found to be in substantial compliance with the Federal Financial Management Improvement Act of 1996. Actions: The report contains no recommendations.	http://www.usda.gov/oig/webdocs/27401-34-HY.pdf

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
4.1.1, 4.1.3. 4.1.4	Domestic Food Assistance: Complex System Benefits Millions, but Additional Efforts Could Address Potential Inefficiency and Overlap among Smaller Programs (April, 2010)	Findings: GAO found research suggesting that, while participation in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), the National School Lunch Program, the School Breakfast Program, and SNAP is associated with positive health and nutrition outcomes, little is known about the effectiveness of the remaining 11 programs because they have not been well studied. GAO also found that, while the existing range of multiple programs may help to increase access to food for vulnerable or target populations, it shows signs of program overlap. This overlap can create unnecessary work and lead to inefficient use of resources. Actions: GAO recommended that USDA identify and develop methods for addressing potential inefficiencies and reducing unnecessary overlap among smaller programs, while ensuring access to the programs for those who are eligible. FNS agreed to consider a study to examine potential inefficiencies and overlap among smaller programs.	http://www.gao.gov/new.items/d10346.pdf
	Review of the Emergency Food Assistance Program (March 2010)	Findings: OIG found that the agency was not frequently and consistently reviewing State operations of the Emergency Food Assistance Program (TEFAP). It also found that the evaluations performed did not necessarily focus on States and territories that were at the greatest risk of fraud, waste, and abuse. Actions: OIG recommended setting policies and timeframes for TEFAP reviews. FNS will explore the use of a standard, risk-based approach to identifying TEFAP agencies that should receive priority reviews. It also will develop guidance to improve consistency in the review process.	http://www.usda.gov/oig/webdocs/27703-01-AT.pdf
4.2.1	Food Expenditures and Diet Quality among Low-Income Households and Individuals (July 2010)	Uses data from several national surveys to compare food spending and household diet quality of SNAP participants with other low-income households. Findings: Ten-percent higher food spending is associated with a small but, for some groups, statistically significant positive difference in diet quality. Actions: No recommendations for action.	http://www.fns.usda.gov/ora/MENU/Published/snap/FILES/Other/FoodExpendDietQuality.pdf
4.2.1	WIC Breastfeeding Peer Counseling Study Final Implementation Report (June 2010)	Provides a comprehensive and systematic picture of the implementation of the Loving Support Peer Counseling Program. (A second phase of the project, now underway, will assess the impact of enhancing *Loving Support* on breastfeeding outcomes for WIC participants.) Findings: • More than half of pregnant WIC participants were enrolled at local WIC agencies that offered the *Loving Support* Program ; • The dollar amount of FNS *Loving Support* grants per pregnant WIC participant varies widely ; and • Breastfeeding peer counseling contacts	http://www.fns.usda.gov/ora/MENU/Published/WIC/FILES/WICPeerCounseling_Summary.pdf

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
		occur both in WIC offices and on the telephone. Actions: No recommendations for action.	



Section 3.

Financial Statements, Notes, Supplemental and Other Accompanying Information

Message from the Chief Financial Officer

The Office of the Chief Financial Officer leads the U.S. Department of Agriculture (USDA) with fiscally sound, cost-effective program delivery. Our efforts are supported by reliable financial management information and infrastructure. Because we are accountable to the American taxpayer, we strive for peak performance in all facets of the Department. We continually adjust our operations to improve the quality of services we provide to the American people.

The purpose of Sections 3 and 4 of this Fiscal Year 2010 Performance Accountability Report is to provide factual data that clearly characterize our accomplishments in managing USDA resources with maximum efficiency. Sections 3 and 4 include detailed information regarding:

- Financial Statements;
- Audit Reports;
- Findings and Recommendations;
- Balance Sheets;
- Supplemental Notes; and
- Other Accompanying Information.

Through the leadership and collaborative efforts of USDA managers, employees, business partners, and stakeholders, we have made significant strides in fiscal year 2010, advancing the Department's impressive record of excellence in financial management.

- Highlights of USDA's significant progress in financial management during FY 2010 include:
- Received another clean financial audit opinion;
- Continued implementation of a core financial system to replace USDA's 9 general ledger systems;
- of the 29 agencies and offices that form the Department, 21 have implemented the Financial Management Modernization Initiative System;
- Completed the assessment of internal control over financial reporting as required by Office of Management and Budget Circular A-123, Appendix A, "Internal Control over Financial Reporting." As a result of testing, USDA identified 182 new control deficiencies. The Department also closed 32 business-process corrective action plans and 182 general-computer-control plans of action and milestones from prior years' assessments;
- Reduced USDA's inventory of audits open 1 or more years without final action by 39 percent;
- Reduced improper payments from 5.92 percent to 5.37 percent;
- Exceeded USDA's recovery target of $54.1 million with total improper payment recoveries of $310.3 million; and

- Provided cost-effective and secure payroll, and other administrative services reliably and accurately Government-wide through our National Finance Center.

Though we are continually making progress in financial management, we cannot yet give unqualified assurance of compliance with the Federal Managers' Financial Integrity Act, nor with the financial systems requirements of the Federal Financial Management Improvement Act. We will continue to focus on these efforts in the coming year.

We remain proud of the accomplishments of our hard working employees at USDA. All of us are committed to the sound management of resources under our stewardship. We look forward to more financial management improvements in fiscal year 2011.

Jon M. Holladay
Acting Chief Financial Officer
November 15, 2010

U.S. Department of Agriculture

Office of Inspector General
Financial Audit Operations

AUDIT REPORT

Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2010 and 2009

Audit Report 50401-70-FM
November 2010

United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250

DATE: NOV 15 2010

AUDIT NUMBER: 50401-70-FM

TO: Jon M. Holladay
Acting Chief Financial Officer
Office of the Chief Financial Officer

ATTN: Kathy Donaldson
Audit Liaison Officer
Office of the Chief Financial Officer

FROM: Phyllis K. Fong
Inspector General

SUBJECT: Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2010 and 2009

This report represents the results of our audits of the Department of Agriculture's consolidated financial statements for the fiscal years ending September 30, 2010 and 2009. The report contains an unqualified opinion on the financial statements as well as the results of our assessment of the Department's internal control over financial reporting and compliance with laws and regulations. Your response is included in its entirety as exhibit D.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendations for which management decisions have not been reached. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance.

We appreciate the courtesies and cooperation extended to us by members of your staff during the audit.

Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2010 and 2009 (Audit Report 50401-70-FM)

Executive Summary

Purpose

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

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

Results in Brief

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of USDA, as of September 30, 2010 and 2009, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal controls over financial reporting identified two significant deficiencies. Specifically, we identified weaknesses in USDA's:

- overall financial management, and
- information technology (IT) security and controls.

We believe that these two significant deficiencies are material weaknesses.

Our consideration of compliance with laws and regulations discusses two instances of noncompliance relating to the Federal Financial Management Improvement Act of 1996, and the Anti-Deficiency Act.

Key Recommendations

As discussed in its *Federal Managers' Financial Integrity Act Report on Management Control*, the Department has plans to address the majority of the weaknesses discussed in the report. The recommendation in this report is limited to additional improvements needed in financial management with respect to abnormal balances.

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Agency Response

The Department concurs with the two material weaknesses and findings related to compliance with laws and regulations in the report. It generally agrees with the recommendation and will develop corrective action plans with milestones by January 15, 2011.

OIG Position

Management decision should be achievable upon review of the plans for corrective action.

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Independent Auditor's Report

Jon M. Holladay
Acting Chief Financial Officer
Office of the Chief Financial Officer

We have audited the accompanying consolidated balance sheets of the Department of Agriculture (USDA), as of September 30, 2010 and 2009, and the related consolidated statements of net costs; changes in net position; and the combined statements of budgetary resources (hereinafter referred to as the "consolidated financial statements") for the fiscal years then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2010 audit, we also considered USDA's internal control over financial reporting and tested USDA's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these consolidated financial statements.

The following sections discuss our opinion on USDA's consolidated financial statements; our consideration of USDA's internal control over financial reporting; our tests of USDA's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's, as well as our, responsibilities.

The Findings and Recommendations section presents the material weaknesses in internal control and instances of noncompliance with laws and regulations, as of and for the year ended September 30, 2010. Exhibit A of this report presents the audit reports related to the fiscal year 2010 statements. Exhibit B summarizes the current year status of prior year audit recommendations. Exhibit C provides an update to previously reported instances of noncompliance with laws and regulations. USDA's response is presented in its entirety in exhibit D.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of USDA, as of September 30, 2010 and 2009, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 19 to the consolidated financial statements, in fiscal year 2010, USDA made certain reclassifications to prior year amounts to conform to the current year presentation on the Statement of Net Cost. As discussed in Note 24, in fiscal year 2010 USDA also changed its treatment of unobligated balances for an indefinite appropriation for one of its reporting components, the Federal Crop Insurance Corporation, due to a change in accounting principle. In addition, as discussed in Note 32, in fiscal year 2010 the Department disclosed a subsequent legal settlement that occurred on October 19, 2010. Furthermore, as discussed in Notes 1 and 10, in fiscal year 2009 the Department completed the implementation of Statement of Federal Financial Accounting Standards (SFFAS) 29, *Heritage Assets and Stewardship Land*, by reclassifying appropriate heritage assets and stewardship land information. Lastly, as discussed in Notes 1 and 30, in fiscal year 2009 the Department implemented SFFAS 31,

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Accounting for Fiduciary Activity, and no longer recognizes fiduciary assets on the balance sheet.

USDA's Management's Discussion and Analysis (MD&A), and required supplementary information (including stewardship information) contains a wide range of information, some of which is not directly related to the financial statements. This information is not a required part of the consolidated financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America and the Office of Management and Budget (OMB) Circular A-136. We have applied certain limited procedures, consisting principally of comparing this information for consistency with the financial statements and making inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it. As a result of such limited procedures, we believe that the controls over required supplementary information related to deferred maintenance are not sufficient to ensure the accuracy and completeness of the reported information.

The information in the Other Accompanying Information section is presented for purposes of additional analysis, as required by OMB Circular A-136, and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Internal Control Over Financial Reporting

Our consideration of the internal control over financial reporting was for the limited purposes described in the Responsibilities section of this report and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

Significant deficiencies are deficiencies, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance. Material weaknesses are deficiencies or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the consolidated financial statements being audited will not be prevented, or detected and corrected on a timely basis. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected.

In our fiscal year 2010 audit, we noted certain matters described in this report's findings and recommendations, involving the internal control over financial reporting and its operation that we consider to be significant deficiencies. Specifically, we identified weaknesses in USDA's:

- overall financial management, and
- information technology (IT) security and controls.

We believe these two deficiencies are also material weaknesses. These weaknesses are discussed in this report in Findings and Recommendations, Section 1, *Material Weaknesses in Internal Control Over Financial Reporting.*

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We did not identify any material weaknesses that were not disclosed in USDA's *Federal Managers' Financial Integrity Act (FMFIA) Report on Management Control*.

Compliance and Other Matters

We performed tests of USDA's compliance, as described in the Responsibilities section of this report. Our tests disclosed two instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin 07-04, as amended. Specifically, the results of our tests of the Federal Financial Management Improvement Act of 1996 (FFMIA) disclosed instances, described in more detail in Finding 3 in the Findings and Recommendations section of this report, where USDA's financial management systems did not substantially comply with Federal financial management system requirements, applicable Federal Accounting Standards, and the U. S. Standard General Ledger (SGL) at the transaction level. Additionally, we reported noncompliance with the Anti-Deficiency Act (ADA), as described in more detail in Finding 4 of the Findings and Recommendations section of this report.

Responsibilities

Management's Responsibilities

USDA's management is responsible for (1) preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the FMFIA are met; (3) ensuring that USDA's financial management systems substantially comply with FFMIA requirements; and (4) complying with applicable laws and regulations.

Auditor's Responsibilities

Our responsibility is to express an opinion on the fiscal years 2010 and 2009 consolidated financial statements of the USDA based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB 07-04, as amended, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USDA's internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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In planning and performing our audits, we considered USDA's internal control over financial reporting by obtaining an understanding of the design effectiveness of internal controls, determining whether the internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 07-04, as amended and *Government Auditing Standards*. We did not test all internal controls as defined by the FMFIA. The objective of our audit was not to provide an opinion on USDA's internal control. Consequently, we do not provide an opinion on internal control over financial reporting, nor on USDA's assertion on internal control included in its MD&A.

As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we performed tests of USDA's compliance with certain provisions of laws and regulations, contracts and agreements, and Governmentwide policy requirements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts. We also obtained reasonable assurance that USDA complied with certain provisions of other laws and regulations specified in OMB Bulletin 07-04, as amended, including requirements referred to in the FFMIA, except for those that, in our judgment, were clearly inconsequential. We limited our tests of compliance to the provisions described in the preceding sentences and did not test compliance with all laws and regulations applicable to USDA. However, providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

USDA's response to the findings in our audit is included in its entirety in exhibit D. We did not audit the response and, accordingly, express no opinion on it.

This report is intended solely for the information of the management of USDA, OMB, the U.S. Government Accountability Office and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Phyllis K. Fong
Inspector General

November 12, 2010

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Findings and Recommendations

Section 1: Material Weaknesses in Internal Control Over Financial Reporting

Finding 1: Improvements are Needed in Overall Financial Management

During fiscal year 2010, USDA continued to make improvements in its financial management. For example, exhibit B describes actions taken by the Department relating to obligations. Additionally, the Department initiated implementation of its Financial Management Modernization Initiative to improve financial performance through a modern financial system that provides maximum support to the Department and its agencies. However, we noted areas where further improvements are needed.

- We again noted that obligations[1] were not always valid because agencies did not effectively monitor and review unliquidated obligations (ULO). We selected a nonstatistical sample of 66 ULOs from 10 agencies for which no activity had occurred for over 2 years.[2] We determined that 27 (41 percent) ULOs were invalid because no future expenditures were expected. We also found that 17 (26 percent) ULO balances were valid obligations but should have been paid off in prior fiscal years if they had been properly monitored. These obligations inappropriately remained open, in part because USDA agencies failed to submit final payments to other USDA agencies. Additionally, agencies did not always timely research or respond to requests for additional information to close obligations from other USDA agencies.

The U.S. Department of Treasury's (Treasury) annual closing guidance (Treasury Bulletin 2010-07, *Yearend Closing*, dated June 16, 2010) requires an annual review of ULOs. Departmental Regulation 2230-1, *Reviews of Unliquidated Obligations*, dated April 21, 2009, further requires quarterly reviews and certifications as to the validity of ULO balances from agency Chief Financial Officers (CFO).

Ineffective monitoring and reviewing of obligation balances resulted in invalid obligations remaining open. Invalid obligations improperly restrict the availability of funding authority. This also increases the risk of misstating obligations as of yearend.

In its FMFIA Report on Management Control for 2010, USDA continued to report a material weakness relating to the lack of consistent review and follow-up on ULOs. The Department indicated that several corrective actions have already been taken, such as developing an Executive scorecard for inactive obligations, and initiating fast-track action to deobligate balances with no activity in 2 years through the ULO workgroup. The Department plans additional corrective actions, such as revising policies, procedures, and processes to improve the management, review, and closeout of ULOs, as well as conducting training on these new

[1]An obligation is a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

[2]Nonstatistical sample selected from activity as of June 30, 2010.

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processes. The Department estimates that all corrective actions will be completed in fiscal year 2011.

- We continued to identify abnormal balances[3] in the USDA fiscal yearend trial balance that were not fully researched and corrected. For fiscal year 2010, we noted 30 abnormal account balances, totaling about $760 million (absolute) at yearend. According to the Department, the existence of an abnormal balance indicates that transactions or adjustments may have been posted in error. In addition, abnormal balances increase the risk of material misstatement on the financial statements.

- In fiscal year 2010, we again attempted to perform an audit of the Natural Resources Conservation Service's (NRCS) Financial Statements (Audit Report 10401-4-FM, *NRCS' Financial Statements for Fiscal Year 2010*, dated November 8, 2010). NRCS was once more unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the NRCS consolidated financial statements, as of and for the year ended September 30, 2010, particularly with respect to beginning net position balances and current year activity; recoveries of prior year obligations; obligations incurred, including accrued expenses and undelivered orders; leases; accounts receivable, unfilled customer orders; stewardship land; and the allocation of costs in the Statement of Net Cost. NRCS was unable to complete corrective actions and make adjustments as necessary to financial statement amounts, prior to the completion of its audit.

- In fiscal year 2010, we identified improper payments[4] made by the Farm Service Agency (FSA) through its various farm assistance programs. A separate report will be issued with further detail and recommendations regarding these improper payments.

Because of actions planned by the Department for ULOs and recommendations in other audit reports, the only recommendation made herein relates to abnormal balances.

Recommendation 1

Provide additional oversight to ensure that agencies are properly reviewing, researching, and timely implementing action to correct abnormal balances.

[3]A balance that deviates from the standard balance as defined by Treasury's SGL.

[4] An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments and underpayments.

Finding 2: Improvements are Needed in Information Technology Security and Controls

We performed an independent evaluation of the Department's IT security program and practices, as required by the Federal Information Security Management Act of 2002 (FISMA). We also performed reviews of the control structure of the Office of the Chief Information Officer/National Information Technology Center (OCIO/NITC) and the Office of the Chief Financial Officer/National Finance Center (OCFO/NFC), located in Kansas City, Missouri, and New Orleans, Louisiana, respectively.[5]

In fiscal year 2010, both OCIO/NITC and OCFO/NFC sustained unqualified opinions on their control environments. Additionally, in fiscal year 2010, the Department began implementing some very significant security projects, that, once completed, will provide real-time, continuous visibility and control over workstations and servers on the network, as well as provide a foundation for enterprisewide security monitoring detection and protection.

Although improvements continue to be made in the Department's IT security, our FISMA report notes that many long-standing weaknesses remain. Since 2001, the Office of Inspector General has reported material weaknesses in the design and effectiveness of the Department's overall IT security program. Our fiscal year 2010 FISMA report provides details on the weaknesses we continued to note in the design and effectiveness of the Department's overall IT security program.[6]

In its FMFIA Report on Management Control for 2010, USDA continued to report an overall IT material weakness relating to deficiencies in the internal control design and operating effectiveness for logical access controls, configuration management, physical access and environmental protection, and disaster recovery. As noted in its FMFIA report, the Department indicated that corrective actions have been taken, such as final deployment of a Departmentwide end-point management tool and standardization of the configuration management and change control processes. The Department has additional corrective actions planned in fiscal year 2011.

Because of actions planned by the Department and recommendations made in other audits, we are making no further recommendations in this report.

[6]See exhibit A for information regarding the cited reports.
[7]Audit Report 50501-2-IT, Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2010 Federal Information Security Management Act, issued November 2010.

Section 2: Noncompliance with Laws and Regulations

Finding 3: Lack of Substantial Compliance with FFMIA Requirements

FFMIA requires agencies to annually assess whether their financial management systems comply substantially with (1) Federal Financial Management Systems Requirements (FFMSR), (2) applicable Federal accounting standards, and (3) the SGL at the transaction level. In addition, FISMA requires each agency to report significant information security deficiencies, relating to financial management systems, as a lack of substantial compliance under FFMIA. FFMIA also requires auditors to report in their CFO Act financial statement audit reports whether financial management systems substantially comply with FFMIA's system requirements.

During fiscal year 2010, USDA evaluated its financial management systems to assess compliance with FFMIA. The Department reported that it was not substantially compliant with FFMSR, applicable accounting standards, SGL at the transaction level, and FISMA requirements.

As noted in its MD&A, USDA plans to continue efforts to achieve compliance with the FFMIA and FISMA objectives. Improving Federal financial management systems is critical to increasing the accountability of financial program managers, providing better information for decision making, and increasing the efficiency and effectiveness of services provided by the Federal Government.

In its FFMIA report, the Department reported noncompliance with FFMSR and FISMA for multiple agencies relating to logical access controls, configuration management, physical access and environmental protection, and disaster recovery.

Additionally, in its FFMIA report, the Department noted noncompliances for two of its component agencies, described below.

1. The Commodity Credit Corporation's (CCC) funds control management system is not integrated with its financial management system. Thus, CCC is not able to comply with FFMSR. CCC is working towards integration and is modernizing its financial systems. Corrective action is scheduled for completion by December 30, 2012.

2. NRCS did not comply with FFMSR, Federal accounting standards, and the SGL at the transaction level. Corrective actions are scheduled for completion by April 15, 2011.

Because of actions planned by the Department, we are making no further recommendations in this report.

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In fiscal year 2010, the Department reported ADA violations in its fiscal year 2010 Statement of Assurance, included in the Performance and Accountability Report, relating to Rural Development, CCC, and FSA. Details follow:

- During fiscal year 2010, Rural Development identified ADA violations regarding its Rural Utility Services' Broadband Program. According to Rural Development officials, the violations involved eight broadband loans from fiscal year 2004, with an aggregate loan amount of $170 million. The appropriation for this program in fiscal year 2004 was available for 1 year. Loan subsidies obligated for fiscal year 2004 broadband loans ceased to be available for disbursement on October 1, 2009. Using the fiscal year 2010 subsidy rate, the budget authority associated with the undisbursed balance of these loans was approximately $7 million, as of October 1, 2009.

- During fiscal year 2010, CCC and FSA became aware that some contracts under the Biomass Crop Assistance Program (BCAP) were in violation of the ADA. The basis for the ADA violations was that the performance of the contracts either explicitly or implicitly continued past the March 31, 2010 period of performance deadline imposed by OMB under the terms of the apportionment for the BCAP.

The letters reporting these violations are pending clearance by Department officials.

Abbreviations

ADA	Anti-Deficiency Act
BCAP	Biomass Crop Assistance Program
CCC	Commodity Credit Corporation
CDRP	Contingency and Disaster Recovery Plans
CFO	Chief Financial Officer
CSAM	Cyber Security Assessment and Management
FFMIA	Federal Financial Management Improvement Act of 1996
FFMSR	Federal Financial Management Systems Requirements
FISMA	Federal Information Security Management Act of 2002
FMFIA	Federal Managers' Financial Integrity Act of 2002
FSA	Farm Service Agency
ISA	Interconnection Security Agreements
IT	information technology
MD&A	Management's Discussion and Analysis
NFC	National Finance Center
NITC	National Information Technology Center
NRCS	Natural Resources Conservation Service
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
POA&M	plan of action & milestones
SFFAS	Statement of Federal Financial Accounting Standards
SGL	U.S. Government Standard General Ledger
SSP	System Security Plans
Treasury	U.S. Department of Treasury
ULO	Unliquidated Obligations
USDA	Department of Agriculture

AUDIT REPORT 50401-70-FM

Exhibit A: Audit Reports Related to the Fiscal Year 2010 Financial Statements

The following is a list of reports which are related to the Office of Inspector General's audit of the Department of Agriculture's fiscal year 2010 financial statements.

AUDIT NUMBER	AUDIT TITLE	RELEASE DATE
05401-19-FM	Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2010 and 2009	November 2010
06401-25-FM	Commodity Credit Corporation's Financial Statements for Fiscal Years 2010 and 2009	November 2010
08401-11-FM	Forest Service's Financial Statements for Fiscal Years 2010 and 2009	November 2010
10401-4-FM	Natural Resources and Conservation Service's Financial Statements for 2010	November 2010
11401-33-FM	Statement on Auditing Standards No. 70, Report on the National Finance Center General Controls Review	September 2010
27401-35-HY	Food and Nutrition Service Financial Statements for Fiscal Years 2010 and 2009	November 2010
50501-2-IT	Fiscal Year 2010 Federal Information Security Management Act Report	November 2010
85401-18-FM	Rural Development's Financial Statements for Fiscal Years 2010 and 2009	November 2010
88501-14-FM	Statement on Auditing Standards No. 70, Report on the National Information Technology Center General Controls Review	September 2010

AUDIT REPORT 50401-70-FM

Exhibit B: Summary of Prior Year Recommendations

Audit Report 50401-67-FM, *U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2009 and 2008,* dated November 16, 2009.

Finding 1

Recommendation 1

Provide additional oversight to ensure agencies (1) properly monitor and review obligation balances, (2) provide valid certifications based on complete and accurate reviews as required by Departmental Regulation 2230-001, and (3) understand the importance of responding to requests for bills or additional information in a timely manner.

Departmental Status

During fiscal year 2010, the Department continued to monitor obligations via ULO working group meetings as well as through monthly corrective action status reports and quarterly Chief Financial Officer certifications. In addition, balances over 2 years old were fast tracked for deobligation.

OIG Results

The Material Weakness continues to exist, as discussed in Finding 1.

Finding 2

Recommendation 2

Create a plan of actions & milestones (POA&M) to correct deficiencies noted in both System Security Plans (SSP) and Contingency and Disaster Recovery Plans (CDRP), (2) revise Cyber Security Assessment and Management (CSAM) and/or system documentation to reflect consistent and accurate information, and (3) institute policy and procedures to ensure review and signature of all parties bound by Interconnection Security Agreements (ISA).

Departmental Status

During fiscal year 2010, the Department created POA&Ms for the deficiencies noted in the SSPs and CDRPs. System documentation was revised and loaded to CSAM to reflect consistent and accurate information. In addition, re-signed ISAs were included in the appropriate system documentation.

OIG Results

Our audit disclosed that the Department has completed actions to the extent that this is no longer a reportable condition.

Exhibit B: Summary of Prior Year Recommendations

Audit Report 50401-65-FM, *U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2008 and 2007,* dated November 14, 2008.

Finding 1

Recommendation 1

Provide additional oversight to ensure that general ledgers reflect valid obligations and that agencies perform the required reviews timely and effectively.

Departmental Status

See Departmental status for Recommendation 1 of Audit Report 50401-67-FM, *U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2009 and 2008,* dated November 16, 2009.

OIG Results

The Material Weakness continues to exist, as discussed in Finding 1.

Exhibit C: Status of Prior Year Noncompliance Findings

Audit Report 50401-67-FM, *U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2009 and 2008,* dated November 16, 2009.

Finding 3

Reported Noncompliance

The Department reported a lack of substantial compliance with the Federal Financial Management Improvement Act of 1996 requirements. The Department reported that it was not substantially compliant with the Federal Financial Management Systems Requirements (FFMSR), applicable accounting standards, the U.S. Government Standard General Ledger (SGL) at the transactions level, and the Federal Information Security Management Act (FISMA) of 2002 requirements.

Status

In fiscal year 2010, the Department continued to report substantial noncompliance with FFMSR, applicable standards, SGL at the transactions level, and FISMA requirements, as discussed in Finding 3.

Finding 4

Reported Noncompliance

The Natural Resources Conservation Service (NRCS) did not always obligate transactions in accordance with appropriations law. NRCS did not obligate leases, training, and various other transactions prior to payment.

Status

In fiscal year 2010, the NRCS audit disclosed that corrective actions were completed and this was no longer a reportable condition.

Exhibit E: Performance and Accountability Report

USDA

United States Department of Agriculture

Office of the Chief Financial Officer

1400 Independence Avenue, SW

Washington, DC 20250

NOV 12 2010

TO: Phyllis K. Fong
Inspector General
Office of Inspector General

FROM: Jon M. Holladay
Acting Chief Financial Officer

for M. Holladay

SUBJECT: Management's Response – Audit Report on the Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2010 and 2009, Audit Report No. 50401-70-FM

The Department is pleased to respond to your audit report on the Consolidated Financial Statements for fiscal years 2010 and 2009.

We concur with the two material weaknesses and findings related to compliance with laws and regulations in the report. We generally agree with the recommendations in the report and will develop corrective action plans with milestones to address the findings by January 15, 2011.

We recognize the achievement of an unqualified opinion was accomplished through the joint efforts of your staff, contract auditors, and the financial staffs of the Department and agencies.

I would like to express my appreciation for the cooperation and professionalism displayed by your staff and your contract auditors during the course of your audit.

Consolidated Balance Sheet

As of September 30, 2010 and 2009
(In Millions)

	2010	2009
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 75,805	$ 72,334
Investments (Note 5)	154	165
Accounts Receivable, Net (Note 6)	288	270
Other (Note 11)	83	4
Total Intragovernmental	76,330	72,773
Cash and Other Monetary Assets (Note 4)	161	248
Investments (Note 5)	3	3
Accounts Receivable, Net (Note 6)	7,320	8,596
Direct Loan and Loan Guarantees, Net (Note 7)	89,405	85,657
Inventory and Related Property, Net (Note 8)	47	205
General Property, Plant, and Equipment, Net (Note 9)	2,964	2,972
Other (Note 11)	178	185
Total Assets	176,408	170,639
Stewardship PP&E (Note 10)		
Liabilities (Note 12):		
Intragovernmental:		
Accounts Payable	7	5
Debt (Note 13)	87,915	84,119
Other (Note 15)	11,735	11,774
Total Intragovernmental	99,657	95,898
Accounts Payable	580	734
Loan Guarantee Liability (Note 7)	2,857	1,844
Federal Employee and Veteran Benefits	881	846
Environmental and Disposal Liabilities (Note 14)	9	9
Benefits Due and Payable	3,356	3,119
Other (Notes 15 & 16)	21,584	23,274
Total Liabilities	128,924	125,724
Commitments and Contingencies (Note 17)		
Net Position:		
Unexpended Appropriations - Earmarked Funds (Note 18)	(302)	1,263
Unexpended Appropriations - Other Funds	36,563	37,039
Cumulative Results of Operations - Earmarked Funds (Note 18)	429	(349)
Cumulative Results of Operations - Other Funds	10,794	6,962
Total Net Position	47,484	44,915
Total Liabilities and Net Position	$ 176,408	$ 170,639

The accompanying notes are an integral part of these statements.

Consolidated Statement of Net Cost

For the Years Ended September 30, 2010 and 2009
(In Millions)

	2010	2009
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:		
Gross Costs	$ 25,912	$ 36,036
Less: Earned Revenue	5,301	9,843
Net Costs	20,611	26,193
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:		
Gross Costs	11,804	10,529
Less: Earned Revenue	670	665
Net Costs	11,134	9,864
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:		
Gross Costs	3,231	1,890
Less: Earned Revenue	375	380
Net Costs	2,856	1,510
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:		
Gross Costs	98,684	82,296
Less: Earned Revenue	847	795
Net Costs	97,837	81,501
Total Gross Costs	139,631	130,751
Less: Total Earned Revenue	7,193	11,683
Net Cost of Operations (Note 19)	$ 132,438	$ 119,068

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position

For The Year Ended September 30, 2010
(In Millions)

	Earmarked Funds (Note 18)	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	$ (349)	$ 6,962	$ -	$ 6,613
Budgetary Financing Sources:				
Other Adjustments (recissions, etc.)	-	(44)	-	(44)
Appropriations Used	5,673	124,330	-	130,003
Non-exchange Revenue	-	5	-	5
Donations and Forfeitures of Cash and Equivalents	1	-	-	1
Transfers In (Out) without Reimbursement	1,444	5,812	-	7,256
Other Financing Sources (Non-Exchange):				
Transfers In (Out) without Reimbursement	(60)	(30)	-	(90)
Imputed Financing	57	3,982	(2,949)	1,090
Other	44	(1,217)	-	(1,173)
Total Financing Sources	7,159	132,838	(2,949)	137,048
Net Cost of Operations	(6,381)	(129,006)	2,949	(132,438)
Net Change	778	3,832	-	4,610
Cumulative Results of Operations	429	10,794	-	11,223
Unexpended Appropriations:				
Beginning Balances	1,263	37,039	-	38,302
Adjustments:				
Changes in Accounting Principles (Note 24)	(444)	-	-	(444)
Beginning Balance, as Adjusted	819	37,039	-	37,858
Budgetary Financing Sources:				
Appropriations Received	6,909	124,360	-	131,269
Appropriations Transferred In (Out)	(5)	177	-	172
Other Adjustments	(2,352)	(683)	-	(3,035)
Appropriations Used	(5,673)	(124,330)	-	(130,003)
Total Budgetary Financing Sources	(1,121)	(476)	-	(1,597)
Unexpended Appropriations	(302)	36,563	-	36,261
Net Position	$ 127	$ 47,357	$ -	$ 47,484

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position

For The Year Ended September 30, 2009
(In Millions)

	Earmarked Funds (Note 18)	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	$ (490)	$ 9,108	$ -	$ 8,618
Budgetary Financing Sources:				
Appropriations Used	6,986	104,227	-	111,213
Non-exchange Revenue	-	10	-	10
Donations and Forfeitures of Cash and Equivalents	1	-	-	1
Transfers In (Out) without Reimbursement	1,639	4,592	-	6,231
Other Financing Sources (Non-Exchange):				
Transfers In (Out) without Reimbursement	(70)	(492)	-	(562)
Imputed Financing	48	3,785	(2,800)	1,033
Other	48	(911)	-	(863)
Total Financing Sources	8,652	111,211	(2,800)	117,063
Net Cost of Operations	(8,511)	(113,357)	2,800	(119,068)
Net Change	141	(2,146)	-	(2,005)
Cumulative Results of Operations	(349)	6,962	-	6,613
Unexpended Appropriations:				
Beginning Balances	1,428	29,355	-	30,783
Budgetary Financing Sources:				
Appropriations Received	6,778	114,209	-	120,987
Appropriations Transferred In (Out)	(5)	22	-	17
Other Adjustments	48	(2,320)	-	(2,272)
Appropriations Used	(6,986)	(104,227)	-	(111,213)
Total Budgetary Financing Sources	(165)	7,684	-	7,519
Unexpended Appropriations	1,263	37,039	-	38,302
Net Position	$ 914	$ 44,001	$ -	$ 44,915

The accompanying notes are an integral part of these statements.

Combined Statement of Budgetary Resources

For The Years Ended September 30, 2010 and 2009
(In Millions)

	2010		2009	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated balance, brought forward, October 1 (Note 24)	$ 33,120	$ 4,689	$ 28,078	$ 5,314
Recoveries of prior year unpaid obligations	3,721	1,106	3,934	754
Budget Authority -				
Appropriation	144,701	-	132,335	-
Borrowing Authority	39,063	21,852	28,870	14,905
Earned -				
Collected	21,285	10,988	22,678	9,496
Change in receivables from Federal Sources	189	1	(60)	-
Change in unfilled customer orders -				
Advances received	426	-	140	-
Without advance from Federal Sources	309	(34)	(47)	220
Expenditure transfers from trust funds	937	-	1,130	-
Nonexpenditure transfers, net, anticipated and actual	(253)	-	(431)	-
Temporarily not available pursuant to Public Law	(134)	-	(12)	-
Permanently not available	(50,335)	(6,246)	(32,938)	(5,605)
Total Budgetary Resources	193,029	32,356	183,677	25,084
Status of Budgetary Resources:				
Obligations Incurred -				
Direct	138,924	24,059	122,471	20,395
Reimbursable	25,685	-	27,642	-
Unobligated Balance -				
Apportioned	10,349	4,233	13,786	2,324
Exempt from Apportionment	1,392	5	873	4
Unobligated balance not available	16,679	4,059	18,905	2,361
Total Status of Budgetary Resources	193,029	32,356	183,677	25,084
Change in Obligated Balances:				
Obligated balance, net, brought forward October 1	29,604	23,298	25,277	20,694
Obligations incurred	164,609	24,059	150,113	20,395
Gross outlays	(154,185)	(17,174)	(141,959)	(16,818)
Recoveries of prior year unpaid obligations, actual	(3,721)	(1,106)	(3,934)	(754)
Change in uncollected payments from Federal Sources	(498)	34	107	(220)
Obligated balance, net, end of period -				
Unpaid obligations	37,540	30,193	30,836	24,414
Uncollected customer payments from Federal Sources	(1,730)	(1,082)	(1,232)	(1,116)
Obligated Balance, net, end of period	35,810	29,111	29,604	23,298
Net Outlays:				
Gross outlays	154,185	17,174	141,959	16,818
Offsetting collections	(22,648)	(10,989)	(23,948)	(9,496)
Distributed offsetting receipts	(1,512)	(576)	(3,100)	(474)
Net Outlays	$ 130,025	$ 5,609	$ 114,911	$ 6,848

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

As of September 30, 2010 and 2009
(In Millions)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The Department of Agriculture (USDA) provides a wide variety of services in the United States and around the world. USDA is organized into seven distinct mission areas and their agencies that execute these missions.

Listed below are the missions and the agencies within each mission including four Government corporations:

Farm and Foreign Agricultural Services (FFAS)

- Farm Service Agency (FSA)
  - Commodity Credit Corporation (CCC)
- Foreign Agricultural Service (FAS)
- Risk Management Agency (RMA)
  - Federal Crop Insurance Corporation (FCIC)

Food, Nutrition, and Consumer Services (FNCS)

- Food and Nutrition Service (FNS)

Food Safety

- Food Safety and Inspection Service (FSIS)

Marketing and Regulatory Programs (MRP)

- Agricultural Marketing Service (AMS)
- Animal and Plant Health Inspection Service (APHIS)
- Grain Inspection, Packers and Stockyards Administration (GIPSA)

Natural Resources and Environment (NRE)

- Forest Service (FS)
- Natural Resources Conservation Service (NRCS)

Research, Education, and Economics (REE)

- Agricultural Research Service (ARS)
- National Institute of Food and Agriculture (NIFA)
- Economic Research Service (ERS)
- National Agricultural Statistics Service (NASS)

Rural Development

- Rural Development (RD)
  - Alternative Agricultural Research and Commercialization Corporation (AARC)

Effective October 1, 2009, Section 7511(f) (2) of the Food, Conservation, and Energy Act of 2008 transferred all authorities administered by the Cooperative State Research, Education, and Extension Service (CSREES) to the newly established National Institute of Food and Agriculture (NIFA).

Consolidation

The financial statements consolidate all the agencies' results. The effects of intradepartmental activity and balances are eliminated, except for the Statement of Budgetary Resources that is presented on a combined basis. The financial statements are prepared in accordance with generally accepted accounting principles for the Federal Government.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. The FY 2009 Statement of Net Cost and related note was reclassified to align with the strategic goals presented in the USDA Strategic Plan for 2010 – 2015.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue and Other Financing Sources

Revenue from exchange transactions is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, sales price is fixed or determinable, and collection is reasonably assured. In certain cases, the prices charged by the Department are set by law or regulation, which for program and other reasons may not represent full cost. Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities. Revenue from non-exchange transactions is recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable and the amount is reasonably estimable. Appropriations are recognized as a financing source when used. An imputed financing source is recognized for costs subsidized by other Government entities.

Investments

The Department is authorized to invest certain funds in excess of its immediate needs in Treasury securities. Investments in non-marketable par value Treasury securities are classified as held to maturity and are carried at cost. Investments in market-based Treasury securities are classified as held to maturity and are carried at amortized cost. The amortized cost of securities is based on the purchase price adjusted for amortization of premiums and accretion of discounts using the straight-line method over the term of the securities.

Accounts Receivable

Accounts receivable are reduced to net realizable value by an allowance for uncollectible accounts. The adequacy of the allowance is determined based on past experience and age of outstanding balances.

Direct Loans and Loan Guarantees

Direct loans obligated and loan guarantees committed after fiscal 1991 are reported based on the present value of the net cash-flows estimated over the life of the loan or guarantee. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance; the present value of estimated net cash outflows of the loan guarantees is recognized as a liability for loan guarantees. The subsidy expense for direct or guaranteed loans disbursed during the year is the present value of estimated net cash outflows for those loans or guarantees. A subsidy expense also is recognized for modifications made during the year to loans and guarantees outstanding and for reestimates made as of the end of the year to the subsidy allowances or loan guarantee liability for loans and guarantees outstanding.

Direct loans obligated and loan guarantees committed before fiscal 1992 are valued using the present-value method. Under the present-value method, the outstanding principal of direct loans is reduced by an allowance equal to the difference between the outstanding principal and the present value of the expected net cash flows. The liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees.

Inventories and Related Property

Inventories to be consumed in the production of goods for sale or in the provision of services for a fee are valued on the basis of historical cost using a first-in, first-out method. Commodities are valued at the lower of cost or net realizable value using a weighted average method.

Property, Plant and Equipment

Property, plant and equipment (PP&E) are stated at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. Useful lives for PP&E are disclosed in Note 9. Capitalization thresholds for personal property and real property are $25,000 and $100,000 for internal use software. There are no restrictions on the use or convertibility of PP&E.

Pension and Other Retirement Benefits

Pension and other retirement benefits (primarily retirement health care benefits) expense is recognized at the time the employees' services are rendered. The expense is equal to the actuarial present value of benefits attributed by the pension plan's benefit formula, less the amount contributed by the employees. An imputed cost is recognized for the difference between the expense and contributions made by and for employees.

Other Post-employment Benefits

Other post-employment benefits expense for former or inactive (but not retired) employees is recognized when a future outflow or other sacrifice of resources is probable and measurable on the basis of events occurring on or before the reporting date. The liability for long-term other post-employment benefits is the present value of future payments.

Earmarked Funds

In accordance with SFFAS 27, Identifying and Reporting Earmarked Funds, the Department has reported the earmarked funds for which it has program management responsibility when the following three criteria are met: (1) a statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits or purposes; (2) explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits or purposes; and (3) a requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

Stewardship PP&E

SFFAS 29, Heritage Assets and Stewardship Land, reclassified all heritage assets and stewardship land information as basic except for condition information, which is classified as RSI. The reclassification as basic information was phased in per SFFAS 29. Heritage assets and stewardship land information that was previously reported in RSSI temporarily shifted to RSI until it moved to a note on the balance sheet as basic information. The phase-in of disclosure requirements being reported as basic information provided that SFFAS 29 was fully implemented for reporting periods beginning after September 30, 2008. See Note 10, Stewardship PP&E.

Contingencies

Contingent liabilities are recognized when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable.

Allocation Transfers

The Department is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

The Department allocates funds, as the parent, to the Department of Transportation, Department of the Interior, Department of Defense, Department of Housing and Urban Development, U.S. Agency for International Development and the Small Business Administration. The Department receives allocation transfers, as the child, from the Department of Labor, Department of Transportation, Department of the Interior, Economic Development Administration, Appalachian Regional Commission and the Delta Regional Authority.

Inter-Entity Cost Implementation

Beginning in FY 2009, SFFAS 30, Inter-Entity Cost Implementation became effective. This standard requires full implementation of the inter-entity cost provision in SFFAS 4, Managerial Cost Accounting Standards and Concepts. Each entity's full cost should incorporate the full cost of goods and services that it receives from other entities. The entity providing the goods or services has the responsibility to provide the receiving entity with information on the full cost of such goods or services either through billing or other advice.

Recognition of inter-entity costs that are not fully reimbursed is limited to material items that (1) are significant to the receiving entity, (2) form an integral or necessary part of the receiving entity's output, and (3) can be identified or matched to the receiving entity with reasonable precision. Broad and general support services provided by an entity to all or most other entities should not be recognized unless such services form a vital and integral part of the operations or output of the receiving entity.

Fiduciary Activities

Beginning in FY 2009, SFFAS 31, Accounting for Fiduciary Activities became effective. Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary assets are not assets of the Federal Government and are not recognized on the balance sheet. Prior period amounts presented in the basic financial statements and notes were not restated. See Note 29, Fiduciary Activities.

Note 2. Non-Entity Assets

Non-entity assets include proceeds from the sale of timber payable to Treasury, timber contract performance bonds, employer contributions and payroll taxes withheld for agencies serviced by the National Finance Center, interest, fines and penalties.

	FY 2010	FY 2009
Intragovernmental:		
Fund balance with Treasury	$ 121	$ 152
Accounts Receivable	25	24
Subtotal Intragovernmental	146	176
With the Public:		
Cash and other monetary assets	-	-
Accounts receivable	89	97
Subtotal With the Public	89	97
Total non-entity assets	235	273
Total entity assets	176,173	170,366
Total Assets	$ 176,408	$ 170,639

Note 3. Fund Balance with Treasury

Other Fund Types include deposit and clearing accounts. Borrowing Authority not yet Converted to Fund Balance represents un-obligated and obligated amounts recorded at year-end that will be funded by future borrowings. Non-Budgetary Fund Balance with Treasury includes special fund receipt accounts; and clearing and suspense account balances awaiting disposition or reclassification. Unprocessed Intragovernmental Payment and Collection (IPAC) transactions were not reported to Treasury at the end of FY 2010 and FY 2009 because the proper Treasury Account Symbol was unknown which reduced Fund Balance with Treasury by $48 million and $35 million, respectively.

	FY 2010	FY 2009
Fund Balances:		
Trust Funds	$ 472	$ 519
Special Funds	15,230	16,977
Revolving Funds	11,270	8,003
General Funds	48,735	46,761
Other Fund Types	98	74
Total	75,805	72,334
Status of Fund Balance with Treasury:		
Unobligated Balance:		
Available	15,979	16,987
Unavailable	20,738	21,266
Obligated Balance not yet Disbursed	64,797	52,748
Borrowing Authority not yet Converted to Fund Balance	(39,613)	(32,803)
Non-Budgetary Fund Balance with Treasury	13,904	14,136
Total	$ 75,805	$ 72,334

NOTE 4. CASH AND OTHER MONETARY ASSETS

In FY 2010 and FY 2009, cash includes Federal crop insurance escrow amounts of $123 million and $154, respectively. In FY 2010, cash includes certificates of deposit of $37 million. In FY 2009, cash includes price support transfers in transit of $93 million.

	FY 2010	FY 2009
Cash	$ 161	$ 248

NOTE 5. INVESTMENTS

FY 2010	Amortization Method	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value Disclosure
Intragovernmental:						
Non-marketable						
Par value		$ -	$ -	$ -	$ -	$ -
Market-based	Straight Line	152	(1)	3	154	154
Total		$ 152	$ (1)	$ 3	$ 154	$ 154
With the Public:						
AARC		$ 3	$ -	$ -	$ 3	$ 3
Total		$ 3	$ -	$ -	$ 3	$ 3

FY 2009	Amortization Method	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value Disclosure
Intragovernmental:						
Non-marketable						
Par value		$ -	$ -	$ -	$ -	$ -
Market-based	Straight Line	165	(1)	1	165	165
Total		$ 165	$ (1)	$ 1	$ 165	$ 165
With the Public:						
AARC		$ 3	$ -	$ -	$ 3	$ 3
Total		$ 3	$ -	$ -	$ 3	$ 3

Note 6. Accounts Receivable, Net

FY 2010

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 288	$ -	$ 288
With the Public	7,354	(34)	7,320
Total	$ 7,642	$ (34)	$ 7,608

FY 2009

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 270	$ -	$ 270
With the Public	8,621	(25)	8,596
Total	$ 8,891	$ (25)	$ 8,866

Note 7. Direct Loans and Guarantees, Non-Federal Borrowers

Direct Loans

Direct loan obligations or loan guarantee commitments made pre-1992 and the resulting direct loans or loan guarantees are reported at net present value.

Direct loan obligations or loan guarantee commitments made post-1991, and the Federal Credit Reform Act of 1990 as amended governs the resulting direct loan or loan guarantees. The Act requires agencies to estimate the cost of direct loans and loan guarantees at present value for the budget. Additionally, the present value of the subsidy costs (i.e. interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets and other cash flows) associated with direct loans and loan guarantees are recognized as a cost in the year the loan or loan guarantee is disbursed. The net present value of loans or defaulted guaranteed loans receivable at any point in time is the amount of the gross loan or defaulted guaranteed loans receivable less the present value of the subsidy at that time.

The net present value of Direct Loan and Loan Guarantees, Net is not necessarily representative of the proceeds that might be expected if these loans were sold on the open market.

Direct Loan and Loan Guarantees, Net at the end of FY 2010 was $89,405 million compared to $85,657 million at the end of FY 2009. Loans exempt from the Federal Credit Reform Act of 1990 represent $673 million of the total compared to $414 million in FY 2009. Table 1 illustrates the overall composition of the Department's credit program balance sheet portfolio by mission area and credit program for FY 2010 and FY 2009.

During the fiscal year, the gross outstanding balance of the direct loans obligated post-1991 is adjusted by the value of the subsidy cost allowance held against those loans. Current year subsidy expense, modifications and reestimates all contribute to the change of the subsidy cost allowance throughout the year. The subsidy cost allowance moved from $5,284 million to $5,576 million during FY 2010, an increase of $292 million. Table 2 shows the reconciliation of subsidy cost allowance balances from FY 2009 to FY 2010.

Total direct loan subsidy expense is a combination of subsidy expense for new direct loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. Total direct loan subsidy expense in FY 2010 was $429 million compared to $977 million in FY 2009. Table 3 illustrates the breakdown of total subsidy expense for FY 2010 and FY 2009 by program.

Direct loan volume increased from $9,715 million in FY 2009 to $11,144 million in FY 2010. Volume distribution between mission area and program is shown in Table 4.

Guaranteed Loans

Guaranteed loans are administered in coordination with conventional agricultural lenders for up to 95 percent of the principal loan amount. Under the guaranteed loan programs, the lender is responsible for servicing the borrower's account for the life of the loan. The Department, however, is responsible for ensuring borrowers meet certain qualifying criteria to be eligible and monitoring the lender's servicing activities. Borrowers interested in guaranteed loans must apply to a conventional lender, which then arranges for the guarantee with a Department agency. Estimated losses on loan and foreign credit guarantees are reported at net present value as Loan Guarantee Liability. Defaulted guaranteed loans are reported at net present value as Loans Receivable and Related Foreclosed Property, net.

Guaranteed loans outstanding at the end of FY 2010 were $75,688 million in outstanding principal and $67,793 million in outstanding principal guaranteed, compared to $57,367 and $51,527 million, respectively, at the end of FY 2009. Table 5 shows the outstanding balances by credit program.

During the fiscal year, the value of the guaranteed loans is adjusted by the value of the loan guarantee liability held against those loans. Current year subsidy expense, modification and reestimates all contribute to the change of the loan guarantee liability through the year. The loan guarantee liability is a combination of the liability for losses on pre-1992 guarantees and post-1991 guarantees. Table 6 shows that total liability moved from $1,844 million to $2,857 million during FY 2010, an increase of $1,013 million. Table 7 shows the reconciliation of total loan guarantee liability.

Total guaranteed loan subsidy expense is a combination of subsidy expense for new guaranteed loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. Total guaranteed loan subsidy expense in FY 2010 was $702 million compared to $409 million in FY 2009. Table 8 illustrates the breakdown of total subsidy expense for FY 2010 and FY 2009 by program.

Guaranteed loan volume increased from $23,126 million in FY 2009 to $26,892 million in FY 2010. Volume distribution between mission area and program is shown in Table 9.

Administrative Expenses

Consistent with the Federal Credit Reform Act of 1990, as amended, subsidy cash flows exclude direct Federal administrative expenses. Administrative expenses for FY 2010 and FY 2009 are shown in Table 10.

Subsidy Rates

Subsidy rates are used to compute each year's subsidy expenses. The subsidy rates disclosed in Tables 11 and 12 pertain only to the FY 2010 cohorts. These rates cannot be applied to the direct and guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior-year cohorts. The subsidy expense reported in the current year also includes reestimates.

Credit Program Discussion and Descriptions

The Department offers direct and guaranteed loans through credit programs in the FFAS mission area through the FSA and the CCC, and in the RD mission area.

The Farm and Foreign Agricultural Services Mission Area

The FFAS mission area helps keep America's farmers and ranchers in business as they face the uncertainties of weather and markets. FFAS delivers commodity, credit, conservation, disaster, and emergency assistance programs that help strengthen and stabilize the agricultural economy. FFAS contributes to the vitality of the farm sector with programs that encourage the expansion of export markets for U.S. agriculture.

FSA offers direct and guaranteed loans to farmers who are temporarily unable to obtain private, commercial credit and nonprofit entities that are engaged in the improvement of the nation's agricultural community. Often, FSA borrowers are beginning farmers who cannot qualify for conventional loans due to insufficient financial resources. Additionally, the agency helps established farmers who have suffered financial setbacks from natural disasters, or have limited resources to maintain profitable farming operations. FSA officials also provide borrowers with supervision and credit counseling.

FSA's mission is to provide supervised credit. FSA works with each borrower to identify specific strengths and weaknesses in farm production and management, and provides alternatives to address weaknesses. FSA is able to provide certain loan servicing options to assist borrowers whose accounts are distressed or delinquent. These options include reamortization, restructuring, loan deferral, lowering interest rate, acceptance of easements, and debt write-downs. The eventual goal of FSA's farm credit programs is to graduate its borrowers to commercial credit.

CCC's foreign programs provide economic stimulus to both the U.S. and foreign markets, while also giving humanitarian assistance to the most-needy people throughout the world. CCC offers both credit guarantee and direct credit programs for buyers of U.S. exports, suppliers, and sovereign countries in need of food assistance.

CCC permits debtor nations to reschedule debt under the aegis of the Paris Club (The Club). The Club is an internationally recognized organization under the leadership of the French Ministry of Economics and Finance. Its sole purpose is to assess, on a case-by-case basis, liquidity problems faced by economically disadvantaged countries. The general premise of the Club's activities is to provide disadvantaged nations short-term liquidity relief to enable them to re-establish their credit worthiness. The Departments of State and Treasury lead the U.S. Delegation and negotiations for all U.S. Agencies.

CCC also provides loans for Farm and Sugar Storage Facilities (FSFL). FSFL provides low-interest financing for producers to build or upgrade farm storage and handling facilities. The 2008 Farm Bill added hay and renewable biomass as eligible FSFL commodities, extended the maximum loan term to 12 years and increased the maximum loan amount to $500,000.

Farm and Foreign Agricultural Service List of Programs

Farm Service Agency	Commodity Credit Corporation
Direct Farm Ownership	General Sales Manager Guarantee Credit Program
Direct Farm Operating	Facility Program Guarantee
Direct Emergency Loans	P.L. 480 Title 1 Program
Direct Indian Land Acquisition	Direct Farm Storage Facility
Direct Boll Weevil Eradication	Direct Sugar Storage Facilities
Direct Seed Loans to Producers	
Direct Conservation	
Guaranteed Farm Operating Subsidized/Unsubsidized	

Farm Service Agency	Commodity Credit Corporation
Agricultural Resource Demonstration Fund Bureau of Reclamation Loan Fund Guaranteed Farm Ownership Unsubsidized Guaranteed Conservation American Recovery and Reinvestment Fund	

The Rural Development Mission Area

Each year, RD programs create or preserve tens of thousands of rural jobs and provide or improve the quality of rural housing. To leverage the impact of its programs, RD is working with State, local and Indian tribal Governments, as well as private and not-for-profit organizations and user-owned cooperatives.

Through its rural housing loan and grant programs, RD provides affordable housing and essential community facilities to rural communities. Rural housing programs help finance new or improved housing for moderate, low, and very low-income families each year. The programs also help rural communities finance, construct, enlarge or improve fire stations, libraries, hospitals and medical clinics, industrial parks, and other community facilities.

The Rural Business Program goal is to promote a dynamic business environment in rural America. RD partners with the private sector and community-based organizations to provide financial assistance and business planning. It also provides technical assistance to rural businesses and cooperatives, conducts research into rural economic issues, and provides cooperative educational materials to the public.

The Rural Utilities Program helps to improve the quality of life in rural America through a variety of loan programs for electric energy, telecommunications, and water and environmental projects. This program leverages scarce Federal funds with private capital for investing in rural infrastructure, technology and development of human resources.

RD programs provide certain loan servicing options to borrowers whose accounts are distressed or delinquent. These options include reamortization, restructuring, loan deferral, lowering interest rate, acceptance of easements and debt write-downs. The choice of servicing options depends on the loan program and the individual borrower.

Rural Development List of Programs

Rural Housing Program	Rural Business Program	Rural Utilities Program
Single Family Housing Direct Loans Single Family Housing Guaranteed Loans Self Help Housing Direct Loans Single Family Housing Credit Sales Site Development Loans Farm Labor Housing Direct Loans Multi-Family Housing Direct Loans Multi-Family Housing Guaranteed Loans Multi-Family Housing-Credit Sales Multi-Family Housing Relending Program	Business and Industry Direct Loans Business and Industry Guaranteed Loans Intermediary Relending Program Direct Loans Rural Economic Development Direct Loans Biorefinery Guaranteed Loans Renewable Energy Guaranteed Loans Rural Microenterprise Direct Loans	Water and Environmental Direct Loans Water and Environmental Guaranteed Loans Electric Direct Loans Electric Guaranteed Loans Telecommunications Direct Loans Federal Financing Bank-Electric Federal Financing Bank-Telephone Distance Learning and Telemedicine Direct Broadband Telecommunications Services

Rural Housing Program	Rural Business Program	Rural Utilities Program
Multi-Family Housing Revitalization Program		
Community Facilities Direct Loans		
Community Facilities Guaranteed Loans		

Events and Changes Having a Significant and Measurable Effect on Subsidy Rates, Subsidy Expense, and Subsidy Reestimates

The Federal Credit Reform Act of 1990 as amended governs the proprietary and budgetary accounting treatment of direct and guaranteed loans. The long-term cost to the Government for direct loans or loan guarantees is referred to as "subsidy cost." Under the act, subsidy costs for loans obligated beginning in FY 1992 are recognized at the net present value of projected lifetime costs in the year the loan is disbursed. Subsidy costs are revalued annually. Components of subsidy include interest subsidies, defaults, fee offsets, and other cash flows.

The annual reestimate process updates the budget assumptions with actual portfolio performance, interest rates. and updated estimates for future loan performance. The FY 2010 reestimate process resulted in an $52 million increase in the post 1991 estimated cost of the direct loan portfolio and a $207 million increase in the post 1991 estimated cost of the guaranteed loan portfolio.

The net upward reestimate for direct loans was mostly due to an upward reestimate for Housing less a downward reestimate for Farm:

For the direct loan programs under the Agricultural Credit Insurance Fund (ACIF), there was a large downward technical reestimate of $254 million, of which ownership and operating comprised 96 percent of the total. Cohorts 2009 and 2010 accounted for 70 percent of the totals for those 2 programs. The largest change in direct operating was in the 2009 cohort and is due to approximately $70 million more in actual cash receipts in the first 2 years than was reported/projected at the end of FY 2009. For direct ownership, the downward reestimate reflects the effect of revisions to the econometric predictions of default. The single largest contributing factor to default predictions for direct ownership is the interest rate spread between the borrower interest rate and the Treasury interest rate. Previously, this relationship did not take into account the effect of the very low borrower interest rate on down payment loans that was authorized in the 2008 Farm Bill. Therefore a change to the econometrics was necessary and was made during FY 2010. This change revised the default predictions to include the effect of the lower weighted average borrower interest rate.

The Housing Programs had an overall upward reestimate of $315 million. The Single Family Housing Program accounted for the largest portion of this reestimate. Due to the current decline of the housing market, combined with the poor labor market, the forecasting method for projecting cash flows was revised. This revision shifted more weight to current cash flows trends and less to historical trends when forecasting out years. Consequently, the prepayments, recoveries, and recapture repayments (other inflows) curves were impacted. The effect of home values declining, along with the tightening of credit requirements, also resulted in fewer prepayments than forecasted. As borrowers were unable to obtain credit from commercial organizations, and others required additional payment assistance, the costs associated with loans are anticipated to increase in comparison to previous years. These assumptions were factored into the FY 2011 forecasts. The FY 2010 upward reestimate for the Single Family Housing Program was $270 million, while the loan cohort for the acquired properties had an upward reestimate of $48 million. This was due to recognizing the current impact of short sales and a model change.

The net upward reestimate for loan guarantees was mostly due to an upward reestimate for Housing:

The Guaranteed Housing Programs had an overall upward reestimate of $265 million. The model for the guaranteed programs was revised in FY 2010. Prepayment and default curves were added in order to model unpaid principal balance (UPB) projections more accurately. The model was also adjusted to include purchased unpaid principal balances separately. Finally, the model was modified to use actual cohort-specific UPB amounts, subject to interest assistance, as an input. The changes impacted the current year reestimates.

These changes and the rise in unemployment rates were also reflective in the increase of actual default payments for FY 2010. Due to increased default payments, the total default payments rate assumption increased from 3.94 percent in FY 2009 to 4.14 percent in FY 2010. As a result of this payment rate assumption increase, an upward reestimate of $151 million occurred in the Guaranteed Single Family Housing Program.

Changes to the model also impacted Multi-Family Housing program's reestimate. The interest assistance percentages for historical periods were included for the reestimates. This program was also impacted by increased default assumptions. The combination of model changes and economic conditions resulted in an overall reestimate of $103 million for the Multi-Family Housing Program.

During FY 2010, the Guaranteed Single Family Housing portfolio increased due to the public's interest in the program. Growth in this program was achieved through several initiatives. Guaranteed loans were funded by ARRA, regular appropriations, and from an amendment to the Housing Act of 1949. This amendment permitted a negative subsidy rate while increasing the upfront fee to 3.5 percent.

The loan guaranteed liability also increased substantially due to the upward reestimates, increased fees, and subsidy expense associated with the volume increase. The housing allowance increased $714 million in FY 2010. The liability covers future costs of the program.

Based on sensitivity analysis conducted for each cohort or segment of a loan portfolio, the difference between the budgeted and actual interest for both borrower and Treasury remain the key components for the subsidy formulation and reestimate rates of many USDA direct programs. USDA uses the Governmentwide interest rate projections provided by OMB to do its calculations and analysis.

The Inter-agency Country Risk Assessment System (ICRAS) is a Federal interagency effort chaired by OMB under the authority of the Federal Credit Reform Act of 1990, as amended. The system provides standardized risk assessment and budget assumptions for all direct credits and credit guarantees provided by the Government to foreign borrowers. ICRAS identification for each country is still the basis for a given country's risk rating, but a set of program specific default and recovery rates by ICRAS grade has been established for each program. Domestic programs have always utilized program-specific default and recovery assumptions.

In accordance with the General Fund Receipt Account Guide, a liability for nonentity assets is accrued for downward reestimate of subsidy. When more subsidy is collected than is necessary to fund future net cash outflows, the financing fund must transfer the excess subsidy, with interest, to a designated general fund receipt account in the following year.

Loan Modifications

A modification is any Government action different from the baseline assumptions that affects the subsidy cost, such as a change in the terms of the loan contract. The cost of a modification is the difference between the present value of the cash flows before and after the modification.

Multiple-family housing direct loan program modifications related to the revitalization project, which began in FY 2006, continued throughout FY 2010. The revitalization project is used to rehabilitate ailing housing developments. In this program, RD determines whether the development owner should be offered a financial restructuring plan and what type of incentives, if any, should be offered to the owner to rehabilitate an ailing housing development and to provide affordable rents for tenants.

In FY 2009, loan extension modifications were granted for three borrowers in the FFB electric program. The maturity dates were extended up to 20 years on selected advances. Interest rates on the advances did not change. At the time of the modification, the liquidating fund was paid off and the advances were moved to the financing fund. The post-modification cash flows were discounted at the first quarter net present value discount factor from the FY 2009 President's Budget relative to the effective date of the loan extension modifications.

The Debt Reduction Fund is used to account for CCC's "modified debt." Debt is considered to be modified if the original debt has been reduced or the interest rate of the agreement changed. In contrast, when debt is "rescheduled," only the date of payment is changed. Rescheduled debt is carried in the original fund until paid. With one exception, all outstanding CCC modified debt is carried in the Debt Reduction Fund and is governed by the Federal Credit Reform Act of 1990, as amended.

Foreclosed Property

Property is acquired largely through foreclosure and voluntary conveyance. Acquired properties associated with loans are reported at their market value at the time of acquisition. The projected future cash flows associated with acquired properties are used in determining the related allowance (at present value).

As of September 30, 2010 and September 30, 2009, foreclosed property consisted of 1,209 and 1,082 rural single-family housing dwellings, with an average holding period of 16 and 15 months, respectively. As of September 30, 2010 and September 30, 2009, FSA/Farm Loan Program properties consist primarily of 59 and 64 farms, respectively. The average holding period for these properties in inventory for FY 2010 and FY 2009 was 61 and 58 months, respectively. Certain properties can be leased to eligible individuals.

Other Information

Non-performing loans are defined as receivables that are in arrears by 90 or more days, or are on rescheduling agreements until such time two consecutive payments have been made following the rescheduling. When RD, FSA, and CCC calculate loan interest income, however, the recognition of revenue is deferred. Late interest is accrued on arrears.

Approximately $19,000 million and $18,100 million of Rural Housing Service (RHS) unpaid loan principal as of September 30, 2010, and September 30, 2009, respectively, were receiving interest credit. If those loans receiving interest credit had accrued interest at the full-unreduced rate, interest income would have been approximately $966 million and $961 million higher for FY 2010 and FY 2009, respectively.

At the end of FY 2010 and FY 2009, the RD portfolio contained approximately 70,100 and 71,400 restructured loans with an outstanding unpaid principal balance of $2,500 million. At the end of FY 2010 and FY 2009, the farm loan portfolio contained approximately 20,683 and 20,500 restructured loans with an outstanding unpaid principal balance of $1,189 million and $1,126 million, respectively. Direct credit and credit guarantee principal receivables in the food aid and export programs under rescheduling agreements as of September 30, 2010 and September 30, 2009, were $2,819 million and $2,887 million, respectively.

Table 1. Direct Loan and Loan Guarantees, Net

FY 2010 Direct Loans	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Loans
Obligated Pre-1992					
Farm	$ 1,040	$ 70	$ 11	$ (108)	$ 1,013
Export	-	-	-	-	-
Food Aid	4,150	43	-	(1,517)	2,676
Housing	9,505	76	36	(4,462)	5,155
Electric	3,994	7	-	(1,457)	2,544
Telecommunications	565	2	-	(27)	540
Water and Environmental	1,122	10	-	(123)	1,009
Business and Industry	-	-	-	-	-
Economic Development	30	-	-	(14)	16
Pre-1992 Total	20,406	208	47	(7,708)	12,953
Obligated Post-1991					
Farm	7,070	181	8	(344)	6,915
Export	-	-	-	-	-
Food Aid	1,473	18	-	(511)	980
Housing	20,143	120	53	(2,671)	17,645
Electric	36,723	32	-	(751)	36,004
Telecommunications	3,732	1	-	56	3,789
Water and Environmental	9,891	95	-	(740)	9,246
Business and Industry	28	-	-	(3)	25
Economic Development	551	1	-	(168)	384
Post-1991 Total	79,611	448	61	(5,132)	74,988
Total Direct Loan Program Receivables	100,017	656	108	(12,840)	87,941
Defaulted Guarantee Loans					
Pre-1992					
Farm	-	-	-	-	-
Export	134	1	-	(70)	65
Food Aid	-	-	-	-	-
Housing	-	-	-	-	-
Electric	-	-	-	-	-
Telecommunications	-	-	-	-	-
Water and Environmental	-	-	-	-	-
Business and Industry	4	-	-	-	4
Economic Development	-	-	-	-	-
Pre-1992 Total	138	1	-	(70)	69
Post-1991					
Farm	85	-	-	(83)	2
Export	731	10	-	(226)	515
Food Aid	-	-	-	-	-
Housing	130	1	-	(108)	23
Electric	-	-	-	-	-
Telecommunications	-	-	-	-	-
Water and Environmental	-	-	-	-	-
Business and Industry	206	2	-	(26)	182
Economic Development	-	-	-	-	-
Post-1991 Total	1,152	13	-	(443)	722
Total Defaulted Guarantee Loans	1,290	14	-	(513)	791
Loans Exempt from Credit Reform Act:					
Commodity Loans	671	2	-	-	673
Other Foreign Receivables	-	-	-	-	-
Total Loans Exempt	671	2	-	-	673
Total Direct Loan and Loan Guarantees, Net					$ 89,405

Table 1. Direct Loan and Loan Guarantees, Net (cont'd)

FY 2009 Direct Loans	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Loans
Obligated Pre-1992					
Farm	$ 1,219	$ 83	$ 14	$ (43)	$ 1,273
Export	-	-	-	-	-
Food Aid	4,470	48	-	(1,408)	3,110
Housing	9,984	83	33	(4,667)	5,433
Electric	6,877	1	-	(1,675)	5,203
Telecommunications	706	2	-	(44)	664
Water and Environmental	1,224	12	-	(142)	1,094
Business and Industry	-	-	-	-	-
Economic Development	34	-	-	(16)	18
Pre-1992 Total	24,514	229	47	(7,995)	16,795
Obligated Post-1991					
Farm	6,057	169	5	(500)	5,731
Export	-	-	-	-	-
Food Aid	1,615	20	-	(518)	1,117
Housing	18,301	103	46	(2,410)	16,040
Electric	33,119	32	-	(652)	32,499
Telecommunications	3,409	2	-	43	3,454
Water and Environmental	9,218	94	-	(728)	8,584
Business and Industry	30	(1)	-	(10)	19
Economic Development	543	2	-	(174)	371
Post-1991 Total	72,292	421	51	(4,949)	67,815
Total Direct Loan Program Receivables	96,806	650	98	(12,944)	84,610
Defaulted Guarantee Loans					
Pre-1992					
Farm	1	-	-	-	1
Export	135	1	-	(82)	54
Food Aid	-	-	-	-	-
Housing	-	-	-	-	-
Electric	-	-	-	-	-
Telecommunications	-	-	-	-	-
Water and Environmental	-	-	-	-	-
Business and Industry	4	-	-	-	4
Economic Development	-	-	-	-	-
Pre-1992 Total	140	1	-	(82)	59
Post-1991					
Farm	54	-	-	(52)	2
Export	619	7	-	(203)	423
Food Aid	-	-	-	-	-
Housing	98	-	-	(65)	33
Electric	-	-	-	-	-
Telecommunications	-	-	-	-	-
Water and Environmental	-	-	-	-	-
Business and Industry	127	3	-	(14)	116
Economic Development	-	-	-	-	-
Post-1991 Total	898	10	-	(334)	574
Total Defaulted Guarantee Loans	1,038	11	-	(416)	633
Loans Exempt from Credit Reform Act:					
Commodity Loans	414	3	-	(3)	414
Other Foreign Receivables	-	-	-	-	-
Total Loans Exempt	414	3	-	(3)	414
Total Direct Loan and Loan Guarantees, Net					$ 85,657

Table 2. Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991) Direct Loans

	FY 2010	FY 2009
Beginning balance of the subsidy cost allowance	$ 5,284	$ 4,661
Add: Subsidy expense for direct loans disbursed during the year by component		
Interest rate differential costs	(216)	73
Default costs (net of recoveries)	234	253
Fees and other collections	(1)	(1)
Other subsidy costs	319	79
Total subsidy expense prior to adjustments and reestimates	336	404
Adjustments		
Loan modifications	41	9
Fees received	49	39
Loans written off	(498)	(335)
Subsidy allowance amortization	(56)	(264)
Other	368	206
Total subsidy cost allowance before reestimates	5,524	4,720
Add or subtract subsidy reestimates by component		
Interest rate reestimate	284	383
Technical/default reestimate	(232)	181
Total reestimates	52	564
Ending balance of the subsidy cost allowance	$ 5,576	$ 5,284

Table 3. Subsidy Expense for Direct Loans by Program and Component

FY 2010

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	$ (16)	$ 121	$ -	$ -	$ 105	$ -	$ 41	$ (272)	$ (231)	$ (126)
Export	-	-	-	-	-	34	23	17	40	74
Food Aid	-	-	-	-	-	-	-	-	-	-
Housing	(237)	74	(1)	326	162	7	42	262	304	473
Electric	(75)	24	-	(2)	(53)	-	205	(202)	3	(50)
Telecommunications	(5)	11	-	(1)	5	-	(2)	1	(1)	4
Water and Environmental	101	4	-	(4)	101	-	(18)	(32)	(50)	51
Business and Industry	-	-	-	-	-	-	(2)	(5)	(7)	(7)
Economic Development	16	-	-	-	16	-	(5)	(1)	(6)	10
Total Direct Loan Subsidy Expense	$ (216)	$ 234	$ (1)	$319	$ 336	$ 41	$ 284	$ (232)	$ 52	$ 429

FY 2009

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	$ 2	$ 160	$ -	$ 1	$ 163	$ -	$ 204	$ 424	$ 628	$ 791
Export	-	-	-	-	-	-	-	-	-	-
Food Aid	-	-	-	-	-	19	(244)	(172)	(416)	(397)
Housing	24	75	(1)	85	183	6	(41)	129	88	277
Electric	(45)	13	-	(4)	(36)	(16)	600	(324)	276	224
Telecommunications	(1)	4	-	-	3	-	29	120	149	152
Water and Environmental	75	1	-	(3)	73	-	(164)	19	(145)	(72)
Business and Industry	-	-	-	-	-	-	(6)	(5)	(11)	(11)
Economic Development	18	-	-	-	18	-	5	(10)	(5)	13
Total Direct Loan Subsidy Expense	$ 73	$ 253	$ (1)	$ 79	$ 404	$ 9	$ 383	$ 181	$ 564	$ 977

Table 4. Total Amount of Direct Loans Disbursed (Post-1991)

	FY 2010	FY 2009
Direct Loan Programs		
Farm	$ 2,106	$ 1,823
Export	-	-
Food Aid	-	-
Housing	2,622	1,971
Electric	4,745	4,462
Telecommunications	675	565
Water and Environmental	949	842
Business and Industry	-	-
Economic Development	47	52
Total Direct Loans Disbursed	$ 11,144	$ 9,715

Table 5. Guaranteed Loans Outstanding

FY 2010	Pre - 1992 Outstanding Principal, Face Value	Post - 1991 Outstanding Principal, Face Value	Total Outstanding Principal, Face Value	Pre - 1992 Outstanding Principal, Guaranteed	Post - 1991 Outstanding Principal, Guaranteed	Total Outstanding Principal, Guaranteed
Loan Guarantee Programs						
Farm	$ 24	$ 11,771	$ 11,795	$ 21	$ 10,585	$ 10,606
Export	-	6,645	6,645	-	6,513	6,513
Food Aid	-	-	-	-	-	-
Housing	3	50,947	50,950	3	45,833	45,836
Electric	148	202	350	147	202	349
Telecommunications	-	-	-	-	-	-
Water and Environmental	-	64	64	-	55	55
Business and Industry	5	5,879	5,884	1	4,433	4,434
Economic Development	-	-	-	-	-	-
Total Guarantees Disbursed	$ 180	$ 75,508	$ 75,688	$ 172	$ 67,621	$ 67,793

FY 2009	Pre - 1992 Outstanding Principal, Face Value	Post - 1991 Outstanding Principal, Face Value	Total Outstanding Principal, Face Value	Pre - 1992 Outstanding Principal, Guaranteed	Post - 1991 Outstanding Principal, Guaranteed	Total Outstanding Principal, Guaranteed
Loan Guarantee Programs						
Farm	$ 32	$ 10,675	$ 10,707	$ 29	$ 9,598	$ 9,627
Export	-	7,039	7,039	-	6,898	6,898
Food Aid	-	-	-	-	-	-
Housing	4	34,781	34,785	3	31,293	31,296
Electric	161	210	371	161	210	371
Telecommunications	-	-	-	-	-	-
Water and Environmental	-	69	69	-	60	60
Business and Industry	13	4,383	4,396	8	3,267	3,275
Economic Development	-	-	-	-	-	-
Total Guarantees Disbursed	$ 210	$ 57,157	$ 57,367	$ 201	$ 51,326	$ 51,527

Table 6. Liability for Loan Guarantees (Present Value Method for Pre-1992 Guarantees)

FY 2010	Liabilities for Losses on Pre-1992 Guarantees Present Value	Liabilities for Loan Guarantees on Post-1991 Guarantees Present Value	Total Liabilities for Loan Guarantees
Loan Guarantee Programs			
Farm	$ -	$ 283	$ 283
Export	-	184	184
Food Aid	-	-	-
Housing	-	1,833	1,833
Electric	-	-	-
Telecommunications	-	-	-
Water and Environmental	-	-	-
Business and Industry	-	557	557
Economic Development	-	-	-
Total Liability for Loan Guarantees	$ -	$ 2,857	$ 2,857

FY 2009	Liabilities for Losses on Pre-1992 Guarantees Present Value	Liabilities for Loan Guarantees on Post-1991 Guarantees Present Value	Total Liabilities for Loan Guarantees
Loan Guarantee Programs			
Farm	$ -	$ 170	$ 170
Export	-	221	221
Food Aid	-	-	-
Housing	-	1,102	1,102
Electric	-	-	-
Telecommunications	-	-	-
Water and Environmental	-	(1)	(1)
Business and Industry	1	351	352
Economic Development	-	-	-
Total Liability for Loan Guarantees	$ 1	$ 1,843	$ 1,844

Table 7. Schedule for Reconciling Loan Guarantee Liability

	FY 2010	FY 2009
Beginning balance of the loan guarantee liability	$ 1,842	$ 1,332
Add:Subsidy expense for guaranteed loans disbursed during the year by component		
Interest supplement costs	19	25
Default costs (net of recoveries)	876	661
Fees and other collections	(402)	(349)
Other subsidy costs	2	-
Total of the above subsidy expense components	495	337
Adjustments		
Loan guarantee modifications	-	-
Fees received	458	344
Interest supplements paid	132	5
Claim payments to lenders	(301)	(144)
Interest accumulation on the liability balance	64	48
Other	(40)	(152)
Ending balance of the subsidy cost allowance before reestimates	2,650	1,770
Add or subtract subsidy reestimates by component:		
Interest rate reestimate	42	(45)
Technical/default reestimate	165	117
Total of the above reestimate components	207	72
Ending balance of the loan guarantee liability	$ 2,857	$ 1,842

Table 8. Subsidy Expense for Loan Guarantees by Program and Component

FY 2010

Loan Guarantee Programs	Interest Supplement	Defaults	Fees and Other Collections	Other	Subtotal	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	$ 21	$ 72	$ (27)	$ -	$ 66	$ -	$ (13)	$ (60)	$ (73)	$ (7)
Export	-	11	(5)	-	6	-	(41)	(22)	(63)	(57)
Food Aid	-	-	-	-	-	-	-	-	-	-
Housing	(2)	569	(325)	-	242	-	80	193	273	515
Electric	-	-	-	-	-	-	-	-	-	-
Telecommunications	-	-	-	-	-	-	-	-	-	-
Water and Environmental	-	-	-	-	-	-	-	1	1	1
Business and Industry	-	224	(45)	2	181	-	16	53	69	250
Economic Development	-	-	-	-	-	-	-	-	-	-
Total Loan Guarantee Subsidy Expense	$ 19	$ 876	$ (402)	$ 2	$ 495	$ -	$ 42	$ 165	$ 207	$ 702

FY 2009

Loan Guarantee Programs	Interest Supplement	Defaults	Fees and Other Collections	Other	Subtotal	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Farm	$ 17	$ 63	$ (25)	$ -	$ 55	$ -	$ 5	$ (10)	$ (5)	$ 50
Export	-	76	(22)	-	54	-	(45)	9	(36)	18
Food Aid	-	-	-	-	-	-	-	-	-	-
Housing	8	445	(267)	-	186	-	(15)	72	57	243
Electric	-	-	-	-	-	-	-	-	-	-
Telecommunications	-	-	-	-	-	-	-	-	-	-
Water and Environmental	-	-	-	-	-	-	(1)	1	-	-
Business and Industry	-	77	(35)	-	42	-	11	45	56	98
Economic Development	-	-	-	-	-	-	-	-	-	-
Total Loan Guarantee Subsidy Expense	$ 25	$ 661	$ (349)	$ -	$ 337	$ -	$ (45)	$ 117	$ 72	$ 409

Table 9. Guaranteed Loans Disbursed

	FY 2010		FY 2009	
	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
Loan Guarantee Programs				
Farm	$ 3,117	$ 2,803	$ 2,594	$ 2,332
Export	2,891	2,835	5,250	5,145
Food Aid	-	-	-	-
Housing	18,711	16,834	14,165	12,745
Electric	-	-	-	-
Telecommunications	-	-	-	-
Water and Environmental	1	1	5	4
Business and Industry	2,172	1,768	1,112	865
Economic Development	-	-	-	-
Total Guaranteed Loans Disbursed	$ 26,892	$ 24,241	$ 23,126	$ 21,091

Table 10. Administrative Expenses

	FY 2010	FY 2009
Direct Loan Programs	$ 533	$ 594
Guaranteed Loan Programs	485	375
Total Administrative Expenses	$ 1,018	$ 969

Table 11. Subsidy Rates for Direct Loans (percentage)

FY 2010	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Direct Loan Programs					
Farm Ownership	(0.20)	4.82	-	(0.54)	4.08
Farm Operating	(1.26)	5.74	-	0.25	4.73
Farm Operating—ARRA	(1.26)	5.74	-	0.25	4.73
Indian Tribe Land Acquisition	(37.37)	-	-	-	(37.37)
Emergency Disaster	(6.92)	9.92	-	0.68	3.68
Boll Weevil Eradication	(0.88)	-	-	(0.26)	(1.14)
Indian Highly Fractionated Land	(8.18)	13.80	-	2.30	7.92
Conservation—Direct	(6.60)	6.58	-	1.44	1.42
Farm Storage Facility Loan Program	(0.88)	0.02	(0.14)	(0.01)	(1.01)
Sugar Storage Facility Loan Program	(0.22)	0.83	-	-	0.61
Water and Waste Disposal Loans	7.76	0.05	-	(0.27)	7.54
Distance Learning and Telemedicine Loans	-	3.18	-	(0.40)	2.78
Broadband Treasury Loans	(0.02)	7.54	-	(0.27)	7.25
Electric Hardship Loans	(31.86)	0.02	-	4.11	(27.73)
FFB Electric Loans	0.07	0.12	-	(0.66)	(0.47)
FFB Guaranteed Underwriting	0.87	0.96	(3.68)	-	(1.85)
Telecommunication Hardship Loans	(18.59)	0.04	-	(0.04)	(18.59)
FFB Telecommunications Loans	3.94	0.09	-	(4.68)	(0.65)
Treasury Telecommunication Loans	-	0.03	-	(0.46)	(0.43)
Community Facility Loans	0.46	0.88	-	(0.03)	1.31
Single-Family Housing Credit Sales	(29.41)	2.64	-	11.14	(15.63)
Multi-Family Housing Credit Sales	(39.19)	18.89	-	58.70	38.40
Section 502 Single-Family Housing	(15.69)	2.69	-	16.63	3.63
Section 504 Housing Repair	14.25	2.00	-	(3.39)	12.86
Section 515 Multi-Family Housing	(38.61)	9.74	-	56.11	27.24
Section 523 Self-Help Housing	(2.21)	-	-	-	(2.21)
Section 524 Site Development	(5.18)	0.96	-	-	(4.22)
Section 514 Farm Labor Housing	25.48	11.45	-	(0.80)	36.13
Multi-Family Housing Relending Program	27.89	-	-	-	27.89
Multi-Family Housing Revitalization Seconds	49.03	23.83	-	-	72.86
Multi-Family Housing Revitalization Zero	28.81	9.53	-	(0.18)	38.16
Intermediary Relending Program	25.33	0.25	-	(0.33)	25.25
Rural Economic Development Loans	13.09	0.01	-	(0.05)	13.05
Rural Microenterprise Loans	8.27	3.05	-	-	11.32

Table 12. Subsidy Rates for Loan Guarantees (percentage)

FY 2010	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Guaranteed Loan Programs					
CCC Export Loan Guarantees Program	-	11.32	(1.40)	-	9.92
Farm Operating—Unsubsidized	-	3.24	(0.90)	-	2.34
Farm Operating—Subsidized	11.86	2.20	-	-	14.06
Farm Ownership—Unsubsidized	-	1.26	(0.89)	-	0.37
Conservation—Guaranteed	-	1.26	(0.89)	-	0.37
Water and Waste Disposal Loans	-	-	(0.82)	-	(0.82)
Community Facility Loans	-	4.07	(0.87)	-	3.20
Section 502 Single-Family Housing Purchase	-	3.44	(2.00)	-	1.44
Section 502 Single-Family Housing Refinance	-	2.22	(0.50)	-	1.72
Guaranteed 538 Multi-Family Housing	-	1.15	-	-	1.15
Guaranteed 538 Tornado Supplemental	26.66	0.79	(8.18)	-	19.27
Business and Industry Loans Loan Guarantees	-	8.42	(3.09)	-	5.33
North American Development Bank Loan Guarantees	-	11.23	(3.27)	-	7.96
Renewable Energy Loan Guarantees	-	15.62	(1.98)	-	13.64
Section 9003 Loan Guarantees	-	39.13	(6.30)	2.65	35.48

Note 8. Inventory and Related Property, Net

Commodity inventory is restricted for the purpose of alleviating distress caused by natural disasters, providing emergency food assistance in developing countries and providing price support and stabilization. Commodity loan forfeitures during the fiscal years ended September 30, 2010 and 2009 were $3 million and $47 million, respectively.

	FY 2010		FY 2009	
Inventories		$ 1		$ -
Commodities:	Volume (in millions)	Amount	Volume (in millions)	Amount
Corn (In Bushels):				
On hand at the beginning of the year	-	-	-	-
Acquired during the year	-	-	2	11
Disposed of during the year				
Sales	-	-	-	(2)
Donations	-	-	(2)	(9)
Other	-	-	-	-
On hand at the end of the year	-	-	-	-
Wheat (In Bushels):				
On hand at the beginning of the year	-	-	-	-
Acquired during the year	36	208	32	217
Disposed of during the year				
Sales	(33)	(187)	(25)	(176)
Donations	(3)	(21)	(7)	(44)
Other	-	-	-	3
On hand at the end of the year	-	-	-	-
Nonfat Dry Milk (In Pounds):				
On hand at the beginning of the year	224	184	-	-
Acquired during the year	-	-	270	220
Disposed of during the year				
Sales	(1)	(1)	(1)	(1)
Donations	(52)	(59)	(23)	(27)
Other	(165)	(118)	(22)	(8)
On hand at the end of the year	6	6	224	184
Other:				
On hand at the beginning of the year		21		15
Acquired during the year		738		3,653
Disposed of during the year				
Sales		141		(2,625)
Donations		(978)		(1,031)
Other		120		10
On hand at the end of the year		42		22
Allowance for losses		(2)		(1)
Total Commodities		46		205
Total Inventory and Related Property, Net		$ 47		$ 205

NOTE 9. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

FY 2010 Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		$ 76	$ -	$ 76
Improvements to Land	10 - 50	721	(631)	90
Construction-in-Progress		988	-	988
Buildings, Improvements and Renovations	15 - 30	2,023	(1,322)	701
Other Structures and Facilities	15 - 50	1,795	(1,390)	405
Equipment	5 - 20	1,602	(1,247)	355
Assets Under Capital Lease	3 - 20	74	(44)	30
Leasehold Improvements	10	75	(48)	27
Internal-Use Software	5 - 8	521	(338)	183
Internal-Use Software in Development		170	(61)	109
Other General Property, Plant and Equipment	5 - 15	-	-	-
Total		$ 8,045	$ (5,081)	$ 2,964

FY 2009 Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		$ 76	$ -	$ 76
Improvements to Land	10 - 50	707	(611)	96
Construction-in-Progress		983	-	983
Buildings, Improvements and Renovations	15 - 30	1,991	(1,269)	722
Other Structures and Facilities	15 - 50	1,776	(1,346)	430
Equipment	5 - 20	1,661	(1,330)	331
Assets Under Capital Lease	3 - 20	76	(42)	34
Leasehold Improvements	10	66	(44)	22
Internal-Use Software	5 - 8	579	(441)	138
Internal-Use Software in Development		137	(1)	136
Other General Property, Plant and Equipment	5 - 15	4	-	4
Total		$ 8,056	$ (5,084)	$ 2,972

NOTE 10. STEWARDSHIP PP&E

Stewardship PP&E consist of assets whose physical properties resemble those of General PP&E that are traditionally capitalized in the financial statements. Due to the nature of these assets however, valuation would be difficult and matching costs with specific periods would not be meaningful. Stewardship PP&E include heritage assets and stewardship land.

Heritage Assets

Heritage assets are unique and are generally expected to be preserved indefinitely. Heritage assets may be unique because they have historical or natural significance, are of cultural, educational or artistic importance, or have significant architectural characteristics. The assets are reported in terms of physical units rather than cost, fair value, or other monetary values. No amounts are shown on the balance sheet for heritage assets, except for multi-use heritage assets in which the predominant use of the asset is in general government operations. The costs of acquisition, betterment, or reconstruction of multi-use heritage assets is capitalized as general PP&E and depreciated. The costs of acquiring, constructing, improving, reconstructing, or renovating heritage assets, other than multi-use is considered an expense in the period incurred when determining the net cost of operations. Heritage assets consist of collection type, such as objects gathered and maintained for exhibition, for example library collections; and non-collection-type, such as memorials, monuments and buildings.

National Forests, National Grasslands and Other Sites—FS manages its heritage assets by site. Sites include National Forests, National Grasslands, other Forest Service-managed sites, and non Forest Service-managed sites such as museums and university laboratories. The mission of the FS is to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations. The FS strives to achieve quality land management under the sustainable multiple-use management concept to deliver the necessary products and services that are essential for enhancing natural resource stewardship and to meet the diverse needs of people.

Heritage Asset categories can include the following:

Priority Heritage Assets (PHA): Heritage assets of distinct public value that are, or should be, actively maintained, and meet one or more of the following criteria:

- The property is recognized through an official designation; such as a listing on the National Register of Historic Places, State register, etc.
- The property is recognized through prior investment in preservation, interpretation, and use. Any improvement to a PHA that meets real property designation criteria is considered real property.
- The property is recognized in an agency-approved management plan.
- The property exhibits critical deferred maintenance needs, and those needs have been documented.

Other Heritage Assets: Assets that may have potential important historical or cultural significance, but lack formal listing and the demonstrated need for active maintenance.

Assemblage Assets: Any grouping of artifacts or archival materials aggregated through donation, agency events, site-specific or other field collection, other acquisition method, or combination therein. This would include materials donated to the FS; artifact or archival materials collected from a single site, FS administrative unit, or event; or any combination thereof.

Research Centers—ARS conducts research at centers nationwide to develop and transfer solutions to agricultural problems of high national priority and provides information access and dissemination to ensure high-quality, safe food and other agricultural products; assess the nutritional needs of Americans; sustain a competitive agricultural economy; enhance the natural resource base and the environment; and provide economic opportunities for rural citizens, communities, and society as a whole. NRCS owns one research center, the Tucson Plant Material Center (TPMC). The TPMC develops and evaluates native plants and addresses an array of resource issues in the areas of rangeland, mined land, urban lands, cropland riparian areas and desert lands. Research centers are considered heritage assets because one or more buildings or structures at these centers is on the National Register of Historic Places or have been identified as eligible for inclusion on the National Register.

Library Collections—The National Agricultural Library (NAL) as a whole is the largest collection of materials devoted to agriculture in the world. The collections are in constant use to support the research activities of USDA, departmental operations and to answer citizen inquiries. NAL houses and provides access to millions of books and periodicals. The overwhelming number of these items were published more than 25 years ago and almost all of them are out-of-print and unavailable for purchase. By statute, NAL is the primary depository of publications and information concerning the research and other activities of USDA. Included in the collection are government documents and many items that are unique and irreplaceable. NAL collects, preserves and provides access to manuscripts, rare books, photographs, posters, oral histories and other unique materials. Collection concentrations include the fields of agriculture, horticulture, entomology, poultry sciences, botany, natural history and agricultural history. Although focused primarily on American agriculture and related sciences, NAL holds numerous items of international origin.

Acquisition and Withdrawal of Heritage Assets — The FS generally does not construct heritage assets, although in some circumstances important site-structural components may be rehabilitated or reconstructed into viable historic properties to provide forest visitors with use and interpretation. Heritage assets may be acquired through the procurement process, but this rarely occurs. Normally, heritage assets are part of the land acquisition and inventory process. Withdrawal occurs through land exchange or natural disasters. Most additions occur through inventory activities where previously undocumented sites are discovered and added to the total. Although not technically additions—they already existed on NFS lands—they do represent an increased management responsibility commensurate with the spirit of "additions."

Stewardship Land

Stewardship land is land and land rights not acquired for or in connection with items of general PP&E. Land is defined as the solid surface of the earth, excluding natural resources. Stewardship land is valued for its environmental resources, recreational and scenic value, cultural and paleontological resources, vast open spaces, and resource commodities and revenue provided to the Federal government, States, and counties. These assets are reported in terms of physical units rather than cost, fair value, or other monetary values. No asset amount is shown on the balance sheet for stewardship land. The acquisition cost of stewardship land is considered an expense in the period acquired when determining the net cost of operations. Stewardship land consists primarily of the national forests and grasslands owned by the FS and conservation easements purchased by NRCS.

National Forests—National forests are formally established and permanently set aside and reserved for national forest purposes, including National Wilderness, National Primitive, National Wild and Scenic River, National Recreation, National Scenic Research, National Game Refuges and Wildlife Preserve, and National Monument areas.

National Grasslands—National grasslands are designated by the Secretary of Agriculture and permanently held by USDA under Title III of the Bankhead-Jones Farm Tenant Act.

Research and Experimental Areas—Research and experimental areas are reserved and dedicated by the Secretary of Agriculture for forest and range research experimentation. Areas reported are located outside the exterior boundaries of a national forest or national grassland.

National Preserves and Other Areas—National preserves are units established to protect and preserve scientific, scenic, geologic, watershed, fish, wildlife, historic, cultural, and recreational values, and provide for multiple use and sustained yield of its renewable resources. Other areas include areas administered by the FS that are not included in one of the above groups.

Conservation Easements— NRCS' objective in administering the conservation easement programs are to provide landowners financial and technical assistance in return for maintaining and improving high-quality productive soils, clean and abundant water, healthy plant and animals communities, clean air , an adequate energy supply, and working farm and ranch land. NRCS' objective in managing, monitoring, and enforcing the terms and conditions of the easement deed is to ensure that the taxpayers investments are properly used in accordance with the intent of the program, to ensure that the agency is a good steward of the land, and to be a good neighbor to adjacent landowners. The uses for the land are identified under each program. Withdrawals from the program are not allowed. Stewardship resources involve a substantial investment by the NRCS for long-term benefits for the American public to help people help the land. The purchase of easements is to restore or enhance wetlands, protect farmland, restore and protect grassland, restore and protect forest ecosystems, and to restore, protect, maintain, and enhance the functions of the floodplain.

Acquisition and Withdrawal of Stewardship Lands— The Land and Water Conservation Fund (L&WCF) Land Acquisition Program acquires land for the FS NFS. The program coordinates with a variety of partners, including State, local, and tribal governments and private landowners through statewide planning for development of a land-adjustment strategy.

The Land Acquisition Program preserves, develops, and maintains access to NFS lands and waters for the public and provides permanent access to public lands for recreation, commodity production, resource management, public safety, and community economic viability.

The L&WCF statutory authority specifically defines the purpose to also include protecting the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resource, and archeological values, as well as food and habitat for fish and wildlife, and managing the public lands for minerals, food, timber, and fiber.

From these several allowable uses of program funding, the program concentrates on protecting habitat for priority species identified in the national forest and grassland's Land Management Plans (LMPs) and enhancing recreational opportunities for areas with high demand for recreation. The program focuses acquisitions on inholdings and areas adjacent to existing NFS lands.

	FY 2010	Additions	Withdrawals	FY 2009
Heritage Assets				
National Forests	155	-	-	155
National Grasslands	20	-	-	20
Other Sites	155	20	-	135
Research Centers	36	-	(1)	37
Library Collections	1	-	-	1
Total	367	20	(1)	348
Stewardship Land				
National Forests	155	-	-	155
National Grasslands	20	-	-	20
Research and Experimental Areas	3	-	-	3
National Preserves and Other Areas	3	-	-	3
Conservation Easements	11,085	251	-	10,834
Total	11,266	251	-	11,015

Note 11. Other Assets

In FY 2010 and FY 2009, other assets include investments in trust for loan asset sales of $35 million and $35 million, respectively.

	FY 2010	FY 2009
Intragovernmental:		
Advances to Others	$ 70	$ 4
Other Assets	13	-
Subtotal Intragovernmental	83	4
With the Public:		
Advances to Others	142	148
Other Assets	36	37
Total Other Assets	$ 261	$ 189

NOTE 12. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

In FY 2010 and FY 2009, other intragovernmental liabilities not covered by budgetary resources include accruals for the Federal Employee Compensation Act (FECA) of $169 million and $169 million, contract disputes claims payable to Treasury's Judgment Fund of $19 million and $18 million, deposit funds and clearing accounts of $40 million and $38 million, and custodial of $5 million and $4 million, respectively. In FY 2010, unemployment compensation was $16 million.

In FY 2010 and FY 2009, other liabilities with the public not covered by budgetary resources include Tobacco Transition Payment Program of $3,797 million and $4,705million, future funded indemnity costs of $724 million and $339 million, unfunded leave of $647 million and $629 million, Payments to States $409 million and $443 million, contingent liabilities of $1,157 million and $20 million, and deposit funds and clearing accounts of $25 million and $17 million, respectively. In FY 2010, custodial was $1 million. In FY 2009, rental payments under the Conservation Reserve Program (CRP) were $1,735 million.

	FY 2010	FY 2009
Intragovernmental:		
Other	$ 249	$ 229
Subtotal Intragovernmental	249	229
With the Public:		
Accounts Payable	1	-
Federal employee and veterans' benefits	881	846
Environmental and disposal liabilities	8	9
Other	6,761	7,887
Subtotal With the Public	7,651	8,742
Total liabilities not covered by budgetary resources	7,900	8,971
Total liabilities covered by budgetary resources	121,024	116,753
Total Liabilities	$ 128,924	$ 125,724

Note 13. Debt

FY 2010		Beginning Balance		Net Borrowing		Ending Balance
Intragovernmental						
Debt to the Treasury	$	55,629	$	970	$	56,599
Debt to the Federal Financing Bank		28,490		2,826		31,316
Total Intragovernmental		84,119		3,796		87,915
Agency Debt:						
Held by the Public		-		-		-
Total Debt	$	84,119	$	3,796	$	87,915

FY 2009		Beginning Balance		Net Borrowing		Ending Balance
Intragovernmental						
Debt to the Treasury	$	51,201	$	4,427	$	55,628
Debt to the Federal Financing Bank		26,376		2,115		28,491
Total Intragovernmental		77,577		6,542		84,119
Agency Debt:						
Held by the Public		-		-		-
Total Debt	$	77,577	$	6,542	$	84,119

Note 14. Environmental and Disposal Liabilities

The Department is subject to the Comprehensive Environmental Response, Compensation, and Liability Act, the Clean Water Act, and the Resource Conservation and Recovery Act for cleanup of hazardous waste. In FY 2010 and FY 2009 the CCC and FS estimate the liability for total cleanup costs for sites known to contain hazardous waste to be $8 million and $1 million, respectively, based on actual cleanup costs at similar sites. These estimates will change as new sites are discovered, remedy standards change, and new technology is introduced.

Note 15. Other Liabilities

In FY 2010, other liabilities with the public include estimated losses on crop insurance claims of $1,575 million, estimated underwriting gains on crop insurance of $2,334 million, crop insurance premium subsidy deficiency reserve of $724 million, Payments to States of $409 million, Brazilian Cotton Industry of $286 million, estimated program delivery cost to reinsurer of $11 million, loans paid in advance for multi-family housing of $11 million, undistributed credits for insured loans of $10 million, credit reform programs of $8 million, and purchaser road credits of $1 million.

In FY 2009, other liabilities with the public include estimated losses on crop insurance claims of $2,865 million, estimated underwriting gains on crop insurance of $2,194 million, crop insurance premium subsidy deficiency reserve of $839 million, Payments to States of $443 million, estimated program delivery cost to reinsurer of $13 million, loans paid in advance for multi-family housing of $9 million, undistributed credits for insured loans of $4 million, credit reform programs of $7 million, and purchaser road credits of $1 million.

FY 2010	Non-Current	Current	Total
Intragovernmental:			
Other Accrued Liabilities	$ 19	$ 22	$ 41
Employer Contributions and Payroll Taxes	-	96	96
Unfunded FECA Liability	-	169	169
Other Unfunded Employment Related Liability	-	17	17
Advances from Others	-	69	69
Liability for Deposit Funds, Clearing Accounts	-	29	29
Liability for Subsidy Related to Undisbursed Loans	-	179	179
Resources Payable to Treasury	-	11,084	11,084
Custodial Liability	-	37	37
Other Liabilities	-	14	14
Subtotal Intragovernmental	19	11,716	11,735
With the Public:			
Other Accrued Liabilities	-	13,154	13,154
Accrued Funded Payroll and Leave	-	437	437
Unfunded Leave	-	647	647
Advances from Others	-	63	63
Deferred Credits	-	505	505
Liability for Deposit Funds, Clearing Accounts	-	112	112
Contingent Liabilities	-	1,257	1,257
Capital Lease Liability	22	11	33
Custodial Liability	3	1	4
Other Liabilities	21	5,351	5,372
Subtotal With the Public	46	21,538	21,584
Total Other Liabilities	$ 65	$ 33,254	$ 33,319

FY 2009	Non-Current	Current	Total
Intragovernmental:			
Other Accrued Liabilities	$ 18	$ 31	$ 49
Employer Contributions and Payroll Taxes	-	86	86
Unfunded FECA Liability	-	169	169
Other Unfunded Employment Related Liability	-	17	17
Advances from Others	-	37	37
Liability for Deposit Funds, Clearing Accounts	-	9	9
Liability for Subsidy Related to Undisbursed Loans	-	564	564
Resources Payable to Treasury	-	10,799	10,799
Custodial Liability	-	44	44
Subtotal Intragovernmental	18	11,756	11,774
With the Public:			
Other Accrued Liabilities	-	13,930	13,930
Accrued Funded Payroll and Leave	-	239	239
Unfunded Leave	-	629	629
Advances from Others	-	51	51
Deferred Credits	-	613	613
Liability for Deposit Funds, Clearing Accounts	-	127	127
Contingent Liabilities	16	1,254	1,270
Capital Lease Liability	25	15	40
Custodial Liability	-	(1)	(1)
Other Liabilities	21	6,355	6,376
Subtotal With the Public	62	23,212	23,274
Total Other Liabilities	$ 80	$ 34,968	$ 35,048

NOTE 16. LEASES

USDA activities based in the Washington D.C. area are located in General Services Administration (GSA) leased facilities, and USDA owned buildings. The USDA Headquarter complex (Whitten Building and South Building) is a government owned facility, which is part of the GSA Federal Buildings Inventory. As the result of a 1998 Agreement between GSA and USDA, a moratorium was placed on the rental billings for the Headquarters complex beginning in FY 1999.

At current market rate, the estimated yearly rental payment for the above mentioned space would be $63 million. This agreement is still in effect and as a result, USDA activities located in the Headquarters complex are not billed for rental costs.

FY 2010

Capital Leases:

Summary of Assets Under Capital Leases	
Land and Building	$ 73
Machinery and Equipment	-
Accumulated Amortization	(44)

Future Payments Due:

Fiscal Year	Land & Buildings
2011	13
2012	12
2013	11
2014	10
2015	9
After 5 Years	35
Total Future Lease Payments	90
Less: Imputed Interest	39
Less: Executory Costs	18
Less: Lease Renewal Options	-
Net Capital Lease Liability	33
Lease liabilities covered by budgetary resources	33

Operating Leases:

Future Payments Due:

Fiscal Year	Land & Buildings	Machinery & Equipment	Other	Totals
2011	126	1	1	128
2012	111	-	1	112
2013	97	-	1	98
2014	89	-	-	89
2015	80	-	1	81
After 5 Years	468	-	2	470
Total Future Lease Payments	$ 971	$ 1	$ 6	$ 978

FY 2009

Capital Leases:

Summary of Assets Under Capital Leases	
Land and Building	$ 76
Machinery and Equipment	-
Accumulated Amortization	(42)

Future Payments Due:

Fiscal Year	Land & Buildings
2010	14
2011	13
2012	12
2013	11
2014	11
After 5 Years	44
Total Future Lease Payments	105
Less: Imputed Interest	44
Less: Executory Costs	21
Less: Lease Renewal Options	-
Net Capital Lease Liability	40
Lease liabilities covered by budgetary resources	40

Operating Leases:

Future Payments Due:

Fiscal Year	Land & Buildings	Machinery & Equipment	Other	Totals
2010	117	1	-	118
2011	104	1	1	106
2012	93	-	1	94
2013	82	-	1	83
2014	76	-	1	77
After 5 Years	462	-	2	464
Total Future Lease Payments	$ 934	$ 2	$ 6	$ 942

NOTE 17. COMMITMENTS AND CONTINGENCIES

The Department is subject to various claims and contingencies related to lawsuits, as well as commitments under contractual and other commercial obligations.

For cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, $1,257 million and $1,270 million have been accrued in the financial statements as of September 30, 2010 and September 30, 2009, respectively.

No amounts have been accrued in the financial statements for claims where the amount is uncertain or where the probability of judgment against USDA is remote. The Department's potential liability for claims where a judgment against the Department is reasonably possible ranges from $2,136 million to $3,663 million as of September 30, 2010, compared to $547 million to $741 million as of September 30, 2009.

CRP rental payments are estimated to be $1,800 million annually through FY 2016. Commitments to extend loan guarantees are estimated to be $4,802 million and $6,066 million in FY 2010 and FY 2009, respectively.

NOTE 18. EARMARKED FUNDS

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the Government's general revenues.

Financial information for all significant earmarked funds follows the descriptions of each fund's purpose shown below.

Risk Management Agency

Federal Crop Insurance Corporation Fund (FCIC)

Resources for the FCIC Fund include funds collected from the public for insurance premiums and other insurance related fees that are used with appropriations from Congress and unobligated balances from previous years to fund the Federal Crop Insurance Program. Funds are available under 7 U.S.C. 1501-1519.

Agricultural Marketing Service

Funds for Strengthening Markets, Income, and Supply

This fund is used to purchase commodities for schools and elderly feeding programs, to provide goods and other necessities in emergencies and disasters, and to purchase agricultural commodities to stabilize markets. The fund is permanently financed by statutory transfer of an amount equal to 30 percent of customs receipts collected during each calendar year and is automatically appropriated for expanding outlets for perishable, non-price supported commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Food and Nutrition Service and is used to purchase commodities under section 6 of the National School Lunch Act and other authorities specified in the child nutrition appropriation. Funds are available under section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c).

Expenses and Refunds, Inspection and Grading of Farm Products

The commodity grading programs provide grading, examination, and certification services for a wide variety of fresh and processed food commodities using federally approved grade standards and purchase specifications. This fund is financed by the collection of fees charged to producers of various food commodities who request, on a voluntary basis, inspection and grading of agricultural food commodities. This program is authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627).

Animal Plant Health Inspection Service

Agricultural Quarantine Inspection User Fee Account

This fund is used to record and report expenditures and revenue associated with operating Agricultural Quarantine Inspection (AQI) activities at ports of entry. The 1990 Farm Bill, as amended by the Federal Agriculture Improvement and Reform Act of 1996, gave the Animal and Plant Health Inspection Service (APHIS) the authority to charge user fees for AQI services, and use the revenue to fund AQI activities. In March of 2003, a portion of the AQI program was transferred to the Department of Homeland Security (DHS); however, APHIS retained the authority to collect AQI revenue. APHIS transfers a portion of the revenue to DHS periodically throughout the year to fund their expenditures. The revenue in the fund is collected from airlines, air passengers, vessels, trucks, and railroad cars that are subject to AQI inspection at ports of entry. These user fees are an inflow of revenue from the public that is used to fund AQI inspections that are required by APHIS and DHS. The authority is codified in 21 U.S.C. 136(a).

Forest Service

Cooperative Work

Cooperative contributions are deposited for disbursement in compliance with the terms and provisions of the agreement between the cooperator and the Forest Service. Cooperators include timber purchasers, not-for-profit organizations, and local hunting and fishing clubs. The governing authorities are the Cooperative Funds Act of June 30, 1914 (16 U.S.C. 498), and the Knutson-Vandenberg Act.

Land Acquisition

Each fiscal year this fund receives a transfer of recreation user fees from the Department of the Interior's Land and Water Conservation Fund to be used for the acquisition of land or waters, or interest therein, including administrative expenses, to carry out the provisions of the Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 460l-4-11), pertaining to the preservation of watersheds. The Land Acquisition program is authorized by the Interior and Related Agencies Appropriations Act of December 30, 1982 (96 Stat. 1983, Public Law 97-394).

Payments to States, National Forest Fund

The Act of May 23, 1908, as amended (16 U.S.C. 500), commonly known as "Payments to States", requires with a few exceptions, that 25 percent of all monies received from the national forests and deposited into the National Forest Fund during a fiscal year from timber, grazing, special-use permits, power and mineral leases, and admission and user fees be paid to the States in which the national forests are located for public schools and public roads in the county or counties in which the national forests are situated. The Secure Rural Schools and Community Self-Determination Act of 2000 (P.L. 106-393), as amended by § 601 of The Emergency Economic Stabilization Act of 2008, (H.R. 1424) (P.L. 110-343), provides stabilized education and road maintenance funding through predictable payments to counties, job creation in those counties, and other opportunities associated with the restoration, maintenance, and stewardship of Federal lands.

Timber Salvage Sales

The Timber Salvage Sale Fund was established to facilitate the timely removal of timber damaged by fire, wind, insects, disease, or other events. Amounts collected from the sale of salvaged timber are used on other qualifying salvage sales to cover the cost of preparing and administering the sales. The Timber Salvage Sales Program is authorized by 16 USC 472(a).

State, Private, and International Forestry Land and Water Conservation Fund

The Fiscal Year 2004 Department of the Interior and Related Agencies Appropriation Act (Public Law 108-108) authorizes the Forest Service to receive a transfer of receipts from the Department of the Interior's Land and Water Conservation Fund to finance the existing Forest Legacy Program, funded previously by State and Private Forestry general appropriation. To accommodate the new financing arrangement and at OMB's request, the U.S. Department of Treasury established a new special fund, "State, Private and International Forestry Land and Water Conservation Fund". The program expenditures include grants and an occasional land purchase, but no real property will be procured or constructed.

Recreation Fee Demonstration Program

The Recreation Fee Demonstration Program fund receives deposits of recreation fees collected from projects that are part of the Recreation Fee Demonstration Program. These monies are retained and used for backlog repair and maintenance of recreation areas, sites, or projects. These funds are also used for interpretation, signage, habitat or facility enhancement, resource preservation, annual operation, maintenance, and law enforcement related to public use of recreation areas, and sites. The Recreation Fee Demonstration Program is authorized by 16 U.S.C. 4601-6(a).

Restoration of Forest Lands and Improvements

The Restoration of Forest Lands and Improvements Acts (16 U.S.C. 579(c)) states any monies received by the United States with respect to lands under the administration of the Forest Service (a) as a result of the forfeiture of a bond or deposit by a permittee or timber purchaser for failure to complete performance of improvement, protection, or rehabilitation work required under the permit or timber sale contract or (b) as a result of a judgment, compromise, or settlement of any claim, involving present or potential damage to lands or improvements, shall be deposited into the United States Treasury and are appropriated and made available until expended to cover the cost to the United States of any improvement, protection, or rehabilitation work on lands under the administration of the Forest Service rendered necessary by the action which led to the forfeiture, judgment, compromise, or settlement – provided that any portion of the monies received in excess of the amount expended in performing the work necessitated by the action which led to their receipt shall be transferred to miscellaneous receipts.

Acquisition of Lands to Complete Land Exchanges

As authorized by seven statutes, this program is funded annually by congressional appropriation action, with forest revenues generated by the occupancy of public land or from the sale of natural resources other than minerals. All funds appropriated that remain unobligated at the end of the fiscal year are returned to the receipts of the affected national forests. These funds are used to purchase land and are for related expenditures such as title search, escrow, recording, and personnel costs when the purchase is considered necessary to minimize soil erosion and flood damage. This appropriation is available for land acquisition within the exterior boundaries of the national forests.

National Institute of Food and Agriculture (NIFA)

Native American Institutions Endowment Fund

The Native American Institutions Endowment Fund was authorized by Public Law 103-382 and provided an initial installment to establish an endowment to benefit the 1994 land grant institutions. The public law states that, "This program will enhance educational opportunities for Native Americans by building educational capacity at these institutions in the areas of student recruitment and retention, curricula development, faculty preparation, instruction delivery systems, and scientific instrumentation for teaching." While the principal (corpus) of the fund cannot be used, the interest that is earned on the endowment fund investments in Treasury instruments can be used for the purposes described above. After the close of the fiscal year, the income is distributed after making adjustments for the cost of administering the fund.

Farm Service Agency

Agricultural Disaster Assistance Transition – Recovery Act and Agricultural Disaster Relief Trust Fund

The Agricultural Disaster Assistance Transition – Recovery Act and the Agricultural Disaster Relief Trust Fund shall make amounts available for the purpose of expenditures to meet the obligations of the United States incurred under section 901 or section 531 of the Federal Crop Insurance Act. The trust funds will be used to make payments to farmers and ranchers under seven disaster assistance programs: (1) Supplemental Revenue Assistance Payments (SURE) Program, (2) Livestock Feed Program (LFP), (3) Livestock Indemnity Program (LIP), (4) Tree Assistance Program (TAP), (5) Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP), (6) Recovery Act for the Supplemental Revenue Assistance Payments Program, and (7) Recovery Act for the Tree Assistance Program. The funds are appropriated an amount equivalent to 3.08 percent of the amounts received in the general fund of the Treasury of the United States during fiscal years 2008 through 2011 attributable to the duties collected on articles entered, or withdrawn from warehouse, for consumption under the Harmonized Tariff Schedule of the United States.

Other

Financial information is summarized for all other earmarked funds with total assets less than $50 million listed below.

Agricultural Marketing Service

Perishable Agricultural Commodities Act

Wool Research, Development and Promotion Trust Fund

Animal Plant Health Inspection Service

Miscellaneous Contributed Funds

Forest Service

National Forest Fund Receipts

Roads and Trails for States, National Forest Fund

Reforestation Trust Fund

Payments to Counties, National Grasslands

Timber Sales Pipeline Restoration Fund

Operation and Maintenance of Forest Service Quarters

Timber Roads, Purchaser Elections

Expenses, Brush Disposal

Range Betterment Fund

Acquisition of Lands for National Forests, Special Acts

Construction of Facilities or Land Acquisition

Recreation Fees for Collection Costs

Payment to Minnesota (Cook, Lake, and Saint Louis Counties)

Licensee Program

Tongass Timber Supply Fund

Resource Management Timber Receipts
Quinault Special Management Area
MNP Rental Fee Account
Midewin National Tallgrass Prairie Restoration Fund
Land Between the Lakes Management Fund
Administration of Rights-of-Way and Other Land Uses Fund
Valles Caldera Fund
Hardwood Technology Transfer and Applied Research Fund
Stewardship Contracting Product Sales
Mount Saint Helens Highway
Gifts, Donations, and Bequests for Forest and Rangeland Research
Land Between the Lakes Trust Fund
Gifts and Bequests

Natural Resources Conservation Service

Miscellaneous Contributed Funds

Agricultural Research Service

Concessions Fees and Volunteer Services
Gifts and Bequests
Miscellaneous Contributed Funds

Rural Development

Alternative Agricultural Research and Commercialization Revolving Fund

Foreign Agricultural Service

Miscellaneous Contributed Funds
Gifts and Bequests

Grain Inspection, Packers and Stockyards Administration

Inspection and Weighing Services

Food Safety and Inspection Service

Expenses and Refunds, Inspection of Farm Products

Office of Inspector General

Inspector General Assets Forfeiture, Department of Justice
Inspector General Assets Forfeiture, Department of Treasury

National Agricultural Statistics Service

Miscellaneous Contributed Funds

Economic Research Service

Miscellaneous Contributed Funds

Departmental Offices

Gifts and Bequests

Earmarked Funds

Balance Sheet As of September 30, 2010	RMA Federal Crop Insurance Corporation Fund	AMS Funds for Strengthening Markets, Income, and Supply	AMS Expenses and Refunds, Inspection and Grading of Farm Products	APHIS Agricultural Quarantine Inspection User Fee Account	FS Cooperative Work	FS Land Acquisition	FS Payments to States, National Forests Fund	FS Timber Salvage Sales
Fund Balance with Treasury	$ 646	$ 141	$ 52	$ 91	$ 357	$ 35	$ 197	$ 49
Investments	-	-	20	-	-	-	-	-
Other Assets	2,557	486	46	117	21	46	4	3
Total Assets	3,203	627	118	208	378	81	201	52
Other Liabilities	5,246	4	65	74	52	1	392	5
Total Liabilities	5,246	4	65	74	52	1	392	5
Unexpended Appropriations	(677)	302	-	-	-	-	-	-
Cumulative Results of Operations	(1,366)	321	53	134	326	80	(191)	47
Total Liabilities and Net Position	3,203	627	118	208	378	81	201	52
Statement of Net Cost For the Period Ended September 30, 2010								
Gross program costs	4,171	854	195	192	111	54	38	27
Less Earned Revenue	602	1	151	504	79	-	119	21
Net Cost of Operations	3,569	853	44	(312)	32	54	(81)	6
Statement of Changes in Net Position For the period Ended September 30, 2010								
Net Position Beginning of Period	(2,577)	677	54	129	359	71	(272)	54
Changes in Accounting Principles (Note 24)	(444)	-	-	-	-	-	-	-
Beginning Balance, as Adjusted	(3,021)	677	54	129	359	71	(272)	54
Non-Exchange Revenue	4,547	799	1	(307)	-	63	-	-
Other Financing Sources	-	-	42	-	(1)	-	-	(1)
Net Cost of Operations	(3,569)	(853)	(44)	312	(32)	(54)	81	(6)
Change in net Position	978	(54)	(1)	5	(33)	9	81	(7)
Net Position End of Period	$ (2,043)	$ 623	$ 53	$ 134	$ 326	$ 80	$ (191)	$ 47

Earmarked Funds

Balance Sheet As of September 30, 2010	FS State, Private, and International Forestry, Land and Water Conservation Fund	FS Recreation Fee Demonstration Program	FS Restoration of Forest Lands and Improvements	FS Acquisition of Lands to Complete Land Exchanges	NIFA Native American Institutions Endowment Fund	FSA Agricultural Disaster Assistance Transition - Recovery Act	FSA Agricultural Disaster Relief Trust Fund	Other	Total
Fund Balance with Treasury	$ 124	$ 98	$ 169	$ 38	$ 14	$ 287	$ 87	$ 319	$ 2,704
Investments	-	-	-	-	126	-	-	9	155
Other Assets	8	4	3	37	-	1	5	34	3,372
Total Assets	132	102	172	75	140	288	92	362	6,231
Other Liabilities	49	5	1	-	-	47	108	55	6,104
Total Liabilities	49	5	1	-	-	47	108	55	6,104
Unexpended Appropriations	-	-	-	-	69	-	-	4	(302)
Cumulative Results of Operations	83	97	171	75	71	241	(16)	303	429
Total Liabilities and Net Position	132	102	172	75	140	288	92	362	6,231
Statement of Net Cost For the Period Ended September 30, 2010									
Gross program costs	73	96	37	6	3	624	1,459	220	8,160
Less Earned Revenue	-	65	33	6	6	-	-	192	1,779
Net Cost of Operations	73	31	4	-	(3)	624	1,459	28	6,381
Statement of Changes in Net Position For the period Ended September 30, 2010									
Net Position Beginning of Period	80	128	175	75	125	-	1,531	305	914
Changes in Accounting Principles (Note 24)	-	-	-	-	-	-	-	-	(444)
Beginning Balance, as Adjusted	80	128	175	75	125	-	1,531	305	470
Non-Exchange Revenue	76	-	-	-	12	865	(88)	29	5,997
Other Financing Sources	-	-	-	-	-	-	-	1	41
Net Cost of Operations	(73)	(31)	(4)	-	3	(624)	(1,459)	(28)	(6,381)
Change in net Position	3	(31)	(4)	-	15	241	(1,547)	2	(343)
Net Position End of Period	$ 83	$ 97	$ 171	$ 75	$ 140	$ 241	$ (16)	$ 307	$ 127

Earmarked Funds

	RMA	AMS	AMS	APHIS	FS	FS	FS	FS
Balance Sheet As of September 30, 2009	Federal Crop Insurance Corporation Fund	Funds for Strengthening Markets, Income, and Supply	Expenses and Refunds, Inspection and Grading of Farm Products	Agricultural Quarantine Inspection User Fee Account	Cooperative Work	Land Acquisition	Payments to States, National Forests Fund	Timber Salvage Sales
Fund Balance with Treasury	$ 1,218	$ 427	$ 61	$ 79	$ 388	$ 23	$ 150	$ 55
Investments	-	-	40	-	-	-	-	-
Other Assets	2,981	253	17	127	22	49	3	4
Total Assets	4,199	680	118	206	410	72	153	59
Other Liabilities	6,776	3	64	77	51	1	425	5
Total Liabilities	6,776	3	64	77	51	1	425	5
Unexpended Appropriations	897	302	-	-	-	-	-	-
Cumulative Results of Operations	(3,474)	375	54	129	359	71	(272)	54
Total Liabilities and Net Position	4,199	680	118	206	410	72	153	59
Statement of Net Cost For the Period Ended September 30, 2009								
Gross program costs	10,060	1,017	183	230	126	59	400	36
Less Earned Revenue	2,878	1	148	486	91	-	163	24
Net Cost of Operations	7,182	1,016	35	(256)	35	59	237	12
Statement of Changes in Net Position For the period Ended September 30, 2009								
Net Position Beginning of Period	(2,210)	680	53	220	263	80	(35)	66
Non-Exchange Revenue	6,815	1,013	1	(347)	131	50	-	-
Other Financing Sources	-	-	35	-	-	-	-	-
Net Cost of Operations	(7,182)	(1,016)	(35)	256	(35)	(59)	(237)	(12)
Change in net Position	(367)	(3)	1	(91)	96	(9)	(237)	(12)
Net Position End of Period	$ (2,577)	$ 677	$ 54	$ 129	$ 359	$ 71	$ (272)	$ 54

Earmarked Funds

Balance Sheet As of September 30, 2009	FS State, Private, and International Forestry, Land and Water Conservation Fund	FS Recreation Fee Demonstration Program	FS Restoration of Forest Lands and Improvements	FS Acquisition of Lands to Complete Land Exchanges	NIFA Native American Institutions Endowment Fund	FSA Agricultural Disaster Relief Trust Fund	Other	Total
Fund Balance with Treasury	$ 106	$ 129	$ 150	$ 43	$ 20	$ 1,533	$ 314	$ 4,696
Investments	-	-	-	-	105	-	10	155
Other Assets	6	4	26	33	-	-	32	3,557
Total Assets	112	133	176	76	125	1,533	356	8,408
Other Liabilities	32	5	1	1	-	2	51	7,494
Total Liabilities	32	5	1	1	-	2	51	7,494
Unexpended Appropriations	-	-	-	-	60	-	4	1,263
Cumulative Results of Operations	80	128	175	75	65	1,531	301	(349)
Total Liabilities and Net Position	112	133	176	76	125	1,533	356	8,408
Statement of Net Cost For the Period Ended September 30, 2009								
Gross program costs	76	86	10	8	3	5	219	12,518
Less Earned Revenue	-	67	30	9	4	-	106	4,007
Net Cost of Operations	76	19	(20)	(1)	(1)	5	113	8,511
Statement of Changes in Net Position For the period Ended September 30, 2009								
Net Position Beginning of Period	107	147	154	74	112	833	394	938
Non-Exchange Revenue	49	-	1	-	12	703	33	8,461
Other Financing Sources	-	-	-	-	-	-	(9)	26
Net Cost of Operations	(76)	(19)	20	1	1	(5)	(113)	(8,511)
Change in net Position	(27)	(19)	21	1	13	698	(89)	(24)
Net Position End of Period	$ 80	$ 128	$ 175	$ 75	$ 125	$ 1,531	$ 305	$ 914

NOTE 19. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT

FY 2010	FSA		CCC		FAS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:						
Gross Costs	$ 998	$ 4,253	$ 1,077	$ 5,342	$ 102	$ 144
Less: Earned Revenue	240	200	21	174	44	3
Net Costs	758	4,053	1,056	5,168	58	141
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:						
Gross Costs	111	471	415	2,012	-	-
Less: Earned Revenue	27	22	-	1	-	-
Net Costs	84	449	415	2,011	-	-
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:						
Gross Costs	-	-	161	2,566	50	70
Less: Earned Revenue	-	-	137	188	21	2
Net Costs	-	-	24	2,378	29	68
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-
Total Gross Costs	1,109	4,724	1,653	9,920	152	214
Less: Total Earned Revenue	267	222	158	363	65	5
Net Cost of Operations	$ 842	$ 4,502	$ 1,495	$ 9,557	$ 87	$ 209

FY 2010	RMA Intragovernmental	RMA With the Public	FNS Intragovernmental	FNS With the Public	FSIS Intragovernmental	FSIS With the Public
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:						
Gross Costs	$ 74	$ 4,201	$ -	$ -	$ -	$ -
Less: Earned Revenue	-	603	-	-	-	-
Net Costs	74	3,598	-	-	-	-
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:						
Gross Costs	-	-	1,129	94,460	382	936
Less: Earned Revenue	-	-	2	49	2	157
Net Costs	-	-	1,127	94,411	380	779
Total Gross Costs	74	4,201	1,129	94,460	382	936
Less: Total Earned Revenue	-	603	2	49	2	157
Net Cost of Operations	$ 74	$ 3,598	$ 1,127	$ 94,411	$ 380	$ 779

FY 2010	AMS		APHIS		GIPSA	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:						
Gross Costs	$ 98	$ 465	$ 54	$ 146	$ 35	$ 68
Less: Earned Revenue	2	92	6	82	1	49
Net Costs	96	373	48	64	34	19
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:						
Gross Costs	-	-	35	93	-	-
Less: Earned Revenue	-	-	4	52	-	-
Net Costs	-	-	31	41	-	-
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:						
Gross Costs	-	-	21	56	-	-
Less: Earned Revenue	-	-	2	32	-	-
Net Costs	-	-	19	24	-	-
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:						
Gross Costs	113	540	298	800	-	-
Less: Earned Revenue	1	107	33	450	-	-
Net Costs	112	433	265	350	-	-
Total Gross Costs	211	1,005	408	1,095	35	68
Less: Total Earned Revenue	3	199	45	616	1	49
Net Cost of Operations	$ 208	$ 806	$ 363	$ 479	$ 34	$ 19

FY 2010	FS		NRCS		ARS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:						
Gross Costs	$ 241	$ 976	$ 45	$ 224	$ 87	$ 336
Less: Earned Revenue	24	89	8	1	11	6
Net Costs	217	887	37	223	76	330
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:						
Gross Costs	1,088	4,396	542	2,749	54	213
Less: Earned Revenue	108	402	94	10	7	4
Net Costs	980	3,994	448	2,739	47	209
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:						
Gross Costs	-	-	1	4	40	155
Less: Earned Revenue	-	-	-	-	5	3
Net Costs	-	-	1	4	35	152
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:						
Gross Costs	-	-	-	-	130	506
Less: Earned Revenue	-	-	-	-	17	9
Net Costs	-	-	-	-	113	497
Total Gross Costs	1,329	5,372	588	2,977	311	1,210
Less: Total Earned Revenue	132	491	102	11	40	22
Net Cost of Operations	$ 1,197	$ 4,881	$ 486	$ 2,966	$ 271	$ 1,188

FY 2010	NIFA		ERS		NASS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:						
Gross Costs	$ 20	$ 650	$ 13	$ 20	$ 55	$ 141
Less: Earned Revenue	16	-	-	-	23	11
Net Costs	4	650	13	20	32	130
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:						
Gross Costs	5	151	5	7	-	1
Less: Earned Revenue	4	-	-	-	-	-
Net Costs	1	151	5	7	-	1
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:						
Gross Costs	4	134	8	13	-	-
Less: Earned Revenue	3	-	-	-	-	-
Net Costs	1	134	8	13	-	-
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:						
Gross Costs	6	192	10	15	3	8
Less: Earned Revenue	6	-	-	-	1	1
Net Costs	-	192	10	15	2	7
Total Gross Costs	35	1,127	36	55	58	150
Less: Total Earned Revenue	29	-	-	-	24	12
Net Cost of Operations	$ 6	$ 1,127	$ 36	$ 55	$ 34	$ 138

FY 2010	RD		DO		Total	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:						
Gross Costs	$ 4,023	$ 3,144	$ 201	$ 365	$ 7,123	$ 20,475
Less: Earned Revenue	496	3,224	328	(3)	1,220	4,531
Net Costs	3,527	(80)	(127)	368	5,903	15,944
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:						
Gross Costs	-	-	117	213	2,372	10,306
Less: Earned Revenue	-	-	192	(2)	436	489
Net Costs	-	-	(75)	215	1,936	9,817
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:						
Gross Costs	-	-	12	22	297	3,020
Less: Earned Revenue	-	-	20	-	188	225
Net Costs	-	-	(8)	22	109	2,795
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:						
Gross Costs	-	-	156	286	2,227	97,743
Less: Earned Revenue	-	-	256	(2)	318	771
Net Costs	-	-	(100)	288	1,909	96,972
Total Gross Costs	4,023	3,144	486	886	12,019	131,544
Less: Total Earned Revenue	496	3,224	796	(7)	2,162	6,016
Net Cost of Operations	$ 3,527	$ (80)	$ (310)	$ 893	$ 9,857	$ 125,528

FY 2010	Intradepartmental Eliminations	Grand Total
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:		
Gross Costs	$ (1,686)	$ 25,912
Less: Earned Revenue	(450)	5,301
Net Costs	(1,236)	20,611
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:		
Gross Costs	(874)	11,804
Less: Earned Revenue	(255)	670
Net Costs	(619)	11,134
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:		
Gross Costs	(86)	3,231
Less: Earned Revenue	(38)	375
Net Costs	(48)	2,856
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:		
Gross Costs	(1,286)	98,684
Less: Earned Revenue	(242)	847
Net Costs	(1,044)	97,837
Total Gross Costs	(3,932)	139,631
Less: Total Earned Revenue	(985)	7,193
Net Cost of Operations	$ (2,947)	$ 132,438

FY 2009	FSA		CCC		FAS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:						
Gross Costs	$ 904	$ 1,974	$ 1,095	$ 11,757	$ 70	$ 193
Less: Earned Revenue	219	223	2	2,361	87	-
Net Costs	685	1,751	1,093	9,396	(17)	193
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:						
Gross Costs	103	226	399	1,825	-	-
Less: Earned Revenue	25	26	-	1	-	-
Net Costs	78	200	399	1,824	-	-
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:						
Gross Costs	-	-	136	1,612	34	94
Less: Earned Revenue	-	-	192	112	43	-
Net Costs	-	-	(56)	1,500	(9)	94
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-
Total Gross Costs	1,007	2,200	1,630	15,194	104	287
Less: Total Earned Revenue	244	249	194	2,474	130	-
Net Cost of Operations	$ 763	$ 1,951	$ 1,436	$ 12,720	$ (26)	$ 287

FY 2009	RMA		FNS		FSIS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:						
Gross Costs	$ 67	$ 10,082	$ -	$ -	$ -	$ -
Less: Earned Revenue	-	2,878	-	-	-	-
Net Costs	67	7,204	-	-	-	-
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Costs	-	-	-	-	-	-
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:						
Gross Costs	-	-	1,097	78,332	354	875
Less: Earned Revenue	-	-	2	40	3	140
Net Costs	-	-	1,095	78,292	351	735
Total Gross Costs	67	10,082	1,097	78,332	354	875
Less: Total Earned Revenue	-	2,878	2	40	3	140
Net Cost of Operations	$ 67	$ 7,204	$ 1,095	$ 78,292	$ 351	$ 735

FY 2009	AMS		APHIS		GIPSA	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:						
Gross Costs	$ 79	$ 682	$ 49	$ 129	$ 32	$ 64
Less: Earned Revenue	1	107	4	74	-	41
Net Costs	78	575	45	55	32	23
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:						
Gross Costs	-	-	20	52	-	-
Less: Earned Revenue	-	-	1	30	-	-
Net Costs	-	-	19	22	-	-
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:						
Gross Costs	-	-	20	52	-	-
Less: Earned Revenue	-	-	2	30	-	-
Net Costs	-	-	18	22	-	-
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:						
Gross Costs	61	528	298	788	-	-
Less: Earned Revenue	1	83	24	450	-	-
Net Costs	60	445	274	338	-	-
Total Gross Costs	140	1,210	387	1,021	32	64
Less: Total Earned Revenue	2	190	31	584	-	41
Net Cost of Operations	$ 138	$ 1,020	$ 356	$ 437	$ 32	$ 23

FY 2009	FS		NRCS		ARS	
	Intragovernmental	**With the Public**	**Intragovernmental**	**With the Public**	**Intragovernmental**	**With the Public**
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:						
Gross Costs	$ 260	$ 1,111	$ 28	$ 126	$ 79	$ 315
Less: Earned Revenue	27	115	5	-	25	12
Net Costs	233	996	23	126	54	303
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:						
Gross Costs	991	4,227	520	2,296	49	193
Less: Earned Revenue	101	436	90	10	16	9
Net Costs	890	3,791	430	2,286	33	184
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:						
Gross Costs	-	-	1	4	36	142
Less: Earned Revenue	-	-	-	-	12	5
Net Costs	-	-	1	4	24	137
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:						
Gross Costs	-	-	-	-	116	463
Less: Earned Revenue	-	-	-	-	36	18
Net Costs	-	-	-	-	80	445
Total Gross Costs	1,251	5,338	549	2,426	280	1,113
Less: Total Earned Revenue	128	551	95	10	89	44
Net Cost of Operations	$ 1,123	$ 4,787	$ 454	$ 2,416	$ 191	$ 1,069

FY 2009	NIFA		ERS		NASS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:						
Gross Costs	$ 23	$ 686	$ 15	$ 20	$ 54	$ 132
Less: Earned Revenue	28	-	-	-	20	3
Net Costs	(5)	686	15	20	34	129
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:						
Gross Costs	5	158	5	7	1	1
Less: Earned Revenue	6	-	-	-	-	-
Net Costs	(1)	158	5	7	1	1
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:						
Gross Costs	4	135	10	14	-	-
Less: Earned Revenue	6	-	-	-	-	-
Net Costs	(2)	135	10	14	-	-
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:						
Gross Costs	6	203	11	15	1	2
Less: Earned Revenue	8	-	-	-	-	-
Net Costs	(2)	203	11	15	1	2
Total Gross Costs	38	1,182	41	56	56	135
Less: Total Earned Revenue	48	-	-	-	20	3
Net Cost of Operations	$ (10)	$ 1,182	$ 41	$ 56	$ 36	$ 132

FY 2009	RD		DO		Total	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:						
Gross Costs	$ 4,069	$ 2,707	$ 204	$ 340	$ 7,028	$ 30,318
Less: Earned Revenue	471	3,320	320	3	1,209	9,137
Net Costs	3,598	(613)	(116)	337	5,819	21,181
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:						
Gross Costs	-	-	108	181	2,201	9,166
Less: Earned Revenue	-	-	169	2	408	514
Net Costs	-	-	(61)	179	1,793	8,652
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:						
Gross Costs	-	-	12	20	253	2,073
Less: Earned Revenue	-	-	18	-	273	147
Net Costs	-	-	(6)	20	(20)	1,926
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:						
Gross Costs	-	-	158	263	2,102	81,469
Less: Earned Revenue	-	-	247	3	321	734
Net Costs	-	-	(89)	260	1,781	80,735
Total Gross Costs	4,069	2,707	482	804	11,584	123,026
Less: Total Earned Revenue	471	3,320	754	8	2,211	10,532
Net Cost of Operations	$ 3,598	$ (613)	$ (272)	$ 796	$ 9,373	$ 112,494

FY 2009	Intradepartmental Eliminations	Grand Total
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:		
Gross Costs	$ (1,310)	$ 36,036
Less: Earned Revenue	(503)	9,843
Net Costs	(807)	26,193
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:		
Gross Costs	(838)	10,529
Less: Earned Revenue	(257)	665
Net Costs	(581)	9,864
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:		
Gross Costs	(436)	1,890
Less: Earned Revenue	(40)	380
Net Costs	(396)	1,510
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:		
Gross Costs	(1,275)	82,296
Less: Earned Revenue	(260)	795
Net Costs	(1,015)	81,501
Total Gross Costs	(3,859)	130,751
Less: Total Earned Revenue	(1,060)	11,683
Net Cost of Operations	$ (2,799)	$ 119,068

Note 20. Cost of Stewardship PP&E

The acquisition cost of stewardship land in FY 2010 and FY 2009 was $449 million and $168 million, respectively.

Note 21. Apportionment Categories of Obligations Incurred

FY 2010

	Direct	Reimbursable	Total
Apportionment by Fiscal Quarter	$ 35,605	$ 2,075	$ 37,680
Apportionment for Special Activities	126,313	23,609	149,922
Exempt from Apportionment	1,065	1	1,066
Total Obligations Incurred	$ 162,983	$ 25,685	$ 188,668

FY 2009

	Direct	Reimbursable	Total
Apportionment by Fiscal Quarter	$ 38,698	$ 2,310	$ 41,008
Apportionment for Special Activities	103,216	25,331	128,547
Exempt from Apportionment	952	1	953
Total Obligations Incurred	$ 142,866	$ 27,642	$ 170,508

Note 22. Available Borrowing Authority, End of Period

Available borrowing authority at September 30, 2010 and 2009 was $39,385 million and $32,508 million, respectively.

Note 23. Terms of Borrowing Authority Used

The Secretary of Agriculture has the authority to make and issue notes to the Secretary of Treasury for the purpose of discharging obligations for RD's insurance funds and CCC's nonreimbursed realized losses and debt related to foreign assistance programs. The permanent indefinite borrowing authority includes both interest bearing and non–interest bearing notes. These notes are drawn upon daily when disbursements exceed deposits. Notes payable under the permanent indefinite borrowing authority have a term of one year. On January 1 of each year, USDA refinances its outstanding borrowings, including accrued interest, at the January borrowing rate.

In addition, USDA has permanent indefinite borrowing authority for the foreign assistance and export credit programs to finance disbursements on post-credit reform, direct credit obligations, and credit guarantees. In accordance with the Federal Credit Reform Act of 1990 as amended, USDA borrows from Treasury on October 1, for the entire fiscal year, based on annual estimates of the difference between the amount appropriated (subsidy) and the amount to be disbursed to the borrower. Repayment under this agreement may be, in whole or in part, prior to maturity by paying the principal amount of the borrowings plus accrued interest to the date of repayment. Interest is paid on these borrowings based on weighted average interest rates for the cohort, to which the borrowings are associated. Interest is earned on the daily balance of uninvested funds in the credit reform financing funds maintained at Treasury. The interest income is used to reduce interest expense on the underlying borrowings.

USDA has authority to borrow from the Federal Financing Bank (FFB) in the form of Certificates of Beneficial Ownership (CBO) or loans executed directly between the borrower and FFB with an unconditional USDA repayment guarantee. CBO's outstanding with the FFB are generally secured by unpaid loan principal balances. CBO's outstanding are related to pre-credit reform loans and no longer are used for program financing.

FFB's CBO's are repaid as they mature and are not related to any particular group of loans. Borrowings made to finance loans directly between the borrower and FFB mature and are repaid as the related group of loans become due. Interest rates on the related group of loans are equal to interest rates on FFB borrowings, except in those situations where an FFB funded loan is restructured and the terms of the loan are modified.

Prepayments can be made on Treasury borrowings without a penalty; however, they cannot be made on FFB CBO's, without a penalty.

Funds may also be borrowed from private lending agencies and others. USDA reserves a sufficient amount of its borrowing authority to purchase, at any time, all notes and other obligations evidencing loans made by agencies and others. All bonds, notes, debentures, and similar obligations issued by the Department are subject to approval by the Secretary of the Treasury. Reservation of borrowing authority for these purposes has not been required for many years.

Note 24. Adjustment to Beginning Balance of Budgetary Resources Due to Change in Accounting Principle

FCIC has permanent indefinite appropriations available to fund premium subsidy, delivery expenses, losses in excess of premiums and research and development costs. Beginning in FY 2010, FCIC returned to the U.S. Treasury all unobligated balances in its indefinite appropriation in excess of the amount FCIC is authorized by statue to retain which includes the capital stock, paid-in capital, and the contingency fund. Prior to this change, FCIC carried over its unobligated balances each year. As a result of this change, FCIC adjusted the unobligated balance brought forward on the Statement of Budgetary Resources and the unexpended appropriations beginning balance on the Statement of Changes in Net Position in FY 2010 for the amount that would have been returned had the change been made in FY 2009. This reduced beginning balances by $444 million.

Note 25. Permanent Indefinite Appropriations

USDA has permanent indefinite appropriations available to fund 1) subsidy costs incurred under credit reform programs, 2) certain costs of the crop insurance program, (3) certain commodity program costs and 4) certain costs associated with FS programs.

The permanent indefinite appropriations for credit reform are mainly available to finance any disbursements incurred under the liquidating accounts. These appropriations become available pursuant to standing provisions of law without further action by Congress after transmittal of the budget for the year involved. They are treated as permanent the first year they become available, as well as in succeeding years. However, they are not stated as specific amounts but are determined by specified variable factors, such as cash needs for liquidating accounts, and information about the actual performance of a cohort or estimated changes in future cash flows of the cohort in the program accounts.

The permanent indefinite appropriation for the crop insurance program is used to cover premium subsidy, delivery expenses, losses in excess of premiums and research and delivery costs.

The permanent indefinite appropriation for commodity program costs is used to encourage the exportation of agricultural commodities and products, to encourage domestic consumption of agricultural products by diverting them, and to reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.

The permanent indefinite appropriation for FS programs is used to fund Recreation Fee Collection Costs, Brush Disposal, License programs, Smokey Bear and Woodsy Owl, Restoration of Forest Lands and Improvements, Roads and Trails for States, National Forest Fund, Timber Roads, Purchaser Elections, Timber Salvage Sales and Operations, and Maintenance of Quarters. Each of these permanent indefinite appropriations is funded by receipts made available by law, and is available until expended.

Note 26. Legal Arrangements Affecting Use of Unobligated Balances

Unobligated budget authority is the difference between the obligated balance and the total unexpended balance. It represents that portion of the unexpended balance unencumbered by recorded obligations. Appropriations are provided on an annual, multi-year, and no-year basis. An appropriation expires on the last day of its period of availability and is no longer available for new obligations. Unobligated balances retain their fiscal-year identity in an expired account for an additional five fiscal years. The unobligated balance remains available to make legitimate obligation adjustments, i.e., to record previously unrecorded obligations and to make upward adjustments in previously underestimated obligations for five years. At the end of the fifth year, the authority is canceled. Thereafter, the authority is not available for any purpose.

Any information about legal arrangements affecting the use of the unobligated balance of budget authority is specifically stated by program and fiscal year in the appropriation language or in the alternative provisions section at the end of the appropriations act.

Note 27. Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

The differences between the FY 2009 Statement of Budgetary Resources and the FY 2009 actual numbers presented in the FY 2011 Budget of the United States Government (Budget) are summarized below.

The budget excludes expired accounts that are no longer available for new obligations. Adjustments were made subsequent to the budget submission as follows:

CCC zeroed out the balance in its Export Guarantee Program, Negative Subsidies account for FACTS II reporting and corrected an abnormal balance in its Export Credit Guarantee Program fund.

The Budget includes the Milk Market Orders Assessment Fund since employees of the Milk Market Administrators participate in the Federal retirement system, though these funds are not available for use by the Department.

Other items are mainly due to rounding.

A comparison between the FY 2010 Statement of Budgetary Resources and the FY 2010 actual numbers presented in the FY 2012 Budget cannot be performed as the FY 2012 Budget is not yet available. The FY 2012 Budget is expected to be published in February 2011 and will be available from the Government Printing Office.

FY 2009

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 208,761	$ 170,508	$ 3,574	$ 125,333
Reconciling items:				
Expired accounts	(13,252)	(2,634)	-	-
CCC export guarantee program negative subsidies	27	27	-	(91)
Milk Market Orders Fund	54	54	-	-
Other	(22)	(2)	-	6
Budget of the United States Government	$ 195,568	$ 167,953	$ 3,574	$ 125,248

NOTE 28. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2010 and 2009 was $54,799 million and $44,332 million, respectively.

NOTE 29. INCIDENTAL CUSTODIAL COLLECTIONS

Custodial collections represent National Forest Fund receipts from the sale of timber and other forest products, miscellaneous general fund receipts such as collections on accounts receivable related to canceled year appropriations, civil monetary penalties and interest, and commercial fines and penalties. Custodial collection activities are considered immaterial and incidental to the mission of the Department.

Revenue Activity:	FY 2010	FY 2009
Sources of Collections:		
Miscellaneous	$ 80	$ 86
Total Cash Collections	80	86
Accrual Adjustments	(4)	(4)
Total Custodial Revenue	76	82
Disposition of Collections:		
Transferred to Others:		
Treasury	(69)	(85)
(Increase)/Decrease in Amounts Yet to be Transferred	(7)	3
Net Custodial Activity	$ -	$ -

NOTE 30. FIDUCIARY ACTIVITIES

Rural Housing Insurance Fund (RHIF) was established by Public Law 89-117 pursuant to section 517 of title V of the Housing Act of 1949, which authorized RD to collect escrow payments on behalf of new and existing Single Family Housing borrowers. Other fiduciary activities by RD include but are not limited to collections from borrowers, interest paid on escrow accounts, payments to insurance agencies and taxing authorities.

Schedule of Fiduciary Activity
For the Years Ended September 30, 2010 and 2009

	Rural Housing Insurance Fund 2010	Rural Housing Insurance Fund 2009
Fiduciary net assets, beginning of year	$ 97	$ 95
Fiduciary revenues	-	-
Contributions	474	433
Investment earnings	-	-
Gain (Loss) on disposition of investments, net	-	-
Administrative and other expenses	-	-
Disbursements to and on behalf of beneficiaries	(471)	(431)
Increases/(Decrease) in fiduciary net assets	3	2
Fiduciary net assets, end of year	$ 100	$ 97

Fiduciary Net Assets
As of September 30, 2010 and 2009

	Rural Housing Insurance Fund 2010	Rural Housing Insurance Fund 2009
Fiduciary Assets		
Cash and cash equivalents	$ 2	$ 8
Investments	98	$ 89
Other assets	-	$ -
Fiduciary Liabilities		
Less: Liabilities	-	$ -
Total Fiduciary Net Assets	$ 100	$ 97

NOTE 31. RECONCILIATION OF BUDGETARY RESOURCES OBLIGATED TO NET COST OF OPERATIONS

Budgetary and proprietary accounting information are inherently different because of the types of information and the timing of their recognition. The reconciliation of budgetary resources obligated and the net cost of operations provides a link between budgetary and proprietary accounting information. It serves not only to explain how information on net obligations relates to the net cost of operations but also to assure integrity between budgetary and proprietary accounting.

Net obligations and the net cost of operations are different because (1) the net cost of operations may be financed by non-budgetary resources (e.g. imputed financing); (2) the budgetary and non-budgetary resources used may finance activities which are not components of the net cost of operations; and (3) the net cost of operations may contain components which do not use or generate resources in the current period.

	2010	2009
Resources Used to Finance Activities:		
Budgetary Resources Obligated -		
Obligations Incurred	$ 188,668	$ 170,508
Less: Spending authority from offsetting collections and recoveries	38,928	38,245
Obligations net of offsetting collections and recoveries	149,740	132,263
Less: Distributed Offsetting receipts	2,088	3,574
Net Obligations	147,652	128,689
Other Resources -		
Transfers in(out) without reimbursement	(90)	(562)
Imputed financing from costs absorbed by others	1,090	1,033
Other	(1,173)	(863)
Net other resources used to finance activities	(173)	(392)
Total resources used to finance activities	147,479	128,297
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in undelivered orders	(10,505)	(6,538)
Resources that fund expenses recognized in prior periods	(5,638)	(4,692)
Budgetary offsetting collections and receipts that do not affect net cost of operations -		
Credit program collections which increase liabilities for loan guarantees or allowances for subsidy	15,770	13,145
Change in Unfilled Customer Orders	656	286
Decrease in exchange revenue receivable from public	7,054	6,697
Other	493	2,111
Resources that finance the acquisition of assets	(25,033)	(26,597)
Other resources or adjustments to net obligated resources that do not affect net cost of operations	2,055	359
Total resources used to finance items not part of the net cost of operations	(15,148)	(15,229)
Total resources used to finance the net cost of operations	132,331	113,068
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods -		
Increase in annual leave liability	21	12
Increase in environmental and disposal liability	-	-
Upward/Downward reestimates of credit subsidy expense	1,502	1,928
Increase in exchange revenue receivable from the public	-	-
Other	(1,154)	997
Total components of Net Cost of Operations that will require or generate resources in future periods	369	2,937
Components not Requiring or Generating Resources -		
Depreciation and amortization	262	223
Revaluation of assets or liabilities	27	27
Other Components not Requiring or Generating Resources:		
Bad Debt Expense	(531)	(1,226)
Cost of Goods Sold	835	2,803
Other	(855)	1,236
Total components of Net Cost of Operations that will not require or generate resources	(262)	3,063
Total components of Net Cost of Operations that will not require or generate resources in the current period	107	6,000
Net Cost of Operations	$ 132,438	$ 119,068

NOTE 32. SUBSEQUENT EVENTS

A settlement agreement was signed on October 19, 2010, including $680 million in monetary relief from the Judgment Fund, $80 million in debt relief, and programmatic relief in connection with a class action filed by Native American farmers and ranchers who allege discrimination under the Equal Credit Opportunity Act and Title VI of the Civil Rights Act of 1964. After approximately a year of negotiations beginning in October 2009, parties presented the court with a settlement agreement on October 29, 2010. The court granted preliminary approval of the agreement on November 1, 2010, and will make a final determination after a fairness hearing.

Required Supplementary Stewardship Information

STEWARDSHIP INVESTMENTS (UNAUDITED)

	FY 2010 Expense	FY 2009 Expense	FY 2008 Expense	FY 2007 Expense	FY 2006 Expense
Non-Federal Physical Property:					
Food and Nutrition Service					
Supplemental Nutrition Assistance Program	$ 41	$ 55	$ 32	$ 20	$ 21
Special Supplemental Nutrition Program	17	15	10	15	12
National Institute of Foods and Agriculture					
Extension 1890 Facilities Program	19	17	17	17	17
Total Non-Federal Property	$ 77	$ 87	$ 59	$ 52	$ 50
Human Capital:					
National Institute of Foods and Agriculture					
Higher Education and Extension Programs	$ 559	$ 547	$ 521	$ 524	$ 525
Food and Nutrition Service					
Supplemental Nutrition Assistance Program	63	19	36	51	66
Agricultural Research Service					
National Agricultural Library	24	23	22	22	22
Risk Management Agency					
Risk Management Education	6	6	10	11	10
Total Human Capital	$ 652	$ 595	$ 589	$ 608	$ 623

	FY 2010 Expense	FY 2009 Expense	FY 2008 Expense	FY 2007 Expense	FY 2006 Expense
Research and Development:					
Basic Research:					
Agricultural Research Service					
Human Nutrition	$ 45	$ 43	$ 42	$ 42	$ 41
Collaborative Research Program	-	2	2	2	3
Product Quality/Value Added	56	54	51	52	51
Livestock Production	44	43	42	42	41
Crop Production	119	102	99	99	97
Food Safety	53	53	51	51	50
Livestock Protection	45	42	40	41	43
Crop Protection	103	100	96	97	96
Environmental Stewardship	103	112	109	110	107
National Institute of Foods and Agriculture					
Land-grant University System	283	256	245	245	245
Forest Service	94	87	82	60	76
Economic Research Service					
Economic and Social Science	8	8	8	7	7
National Agricultural Statistics Service					
Statistical	3	3	3	3	2
Total Basic Research	$ 956	$ 905	$ 870	$ 851	$ 859
Applied Research:					
Agricultural Research Service					
Human Nutrition	$ 35	$ 34	$ 35	$ 35	$ 36
Collaborative Research Program	-	1	2	1	4
Product Quality/Value Added	44	43	43	43	45
Livestock Production	35	34	35	35	36
Crop Production	96	82	82	83	84
Food Safety	43	42	43	43	44
Livestock Protection	36	33	34	34	38
Crop Protection	82	81	80	81	83
Environmental Stewardship	83	90	92	92	94
National Institute of Foods and Agriculture					
Land-grant University System	461	435	418	416	416
Forest Service	227	220	207	154	166
Economic Research Service					
Economic and Social Science	74	71	69	68	68
National Agricultural Statistics Service					
Statistical	4	5	5	3	3
Total Applied Research	$ 1,220	$ 1,171	$ 1,145	$ 1,088	$ 1,117
Development:					
Agricultural Research Service					
Human Nutrition	$ 9	$ 8	$ 8	$ 9	$ 8
Product Quality/Value Added	11	11	11	11	11
Livestock Production	9	9	8	8	8
Crop Production	24	20	20	20	20
Food Safety	11	11	10	11	11
Livestock Protection	9	8	8	8	9
Crop Protection	20	20	20	20	20
Environmental Stewardship	21	23	22	22	22
Forest Service	17	16	15	47	76
Total Development	$ 131	$ 126	$ 122	$ 156	$ 185
Total Research and Development	$ 2,307	$ 2,202	$ 2,137	$ 2,095	$ 2,161

Non-Federal Physical Property

Food and Nutrition Service

FNS' non-Federal physical property consists of computer systems and other equipment obtained by State and local governments for the purpose of administering the Supplemental Nutrition Assistance Program (SNAP). The total SNAP expense for ADP Equipment & Systems has been reported as of the date of FNS' financial statements. FNS' non-Federal physical property also consists of computer systems and other equipment obtained by the State and local governments for the purpose of administering the Special Supplemental Nutrition Program for Women, Infants and Children.

National Institute of Food and Agriculture

The Extension 1890 facilities program supports the renovation of existing buildings and the construction of new facilities that permit faculty, students, and communities to benefit fully from the partnership between USDA and the historically African-American land-grant universities.

Human Capital

National Institute of Food and Agriculture

The Higher Education programs include graduate fellowship grants, competitive challenge grants, Secondary/2-year Post Secondary grants, Hispanic serving institutions education grants, a multicultural scholars program, a Native American institutions program, a Native American institutions endowment fund, an Alaska Native Serving and Native Hawaiian Serving institutions program, a resident instruction grant program for insular areas, and a capacity building program at the 1890 institutions. These programs enable universities to broaden their curricula, increase faculty development and student research projects, and increase the number of new scholars recruited in the food and agriculture sciences. NIFA also supports extension-related work at 1862 and 1890 land-grant institutions throughout the country through formula and competitive programs. NIFA supported the Outreach and Assistance for Disadvantaged Farmers Program for the first time in fiscal 2003. The purpose is to enhance the ability of minority and small farmers and ranchers to operate farming or ranching enterprises independently to assure adequate income and maintain reasonable lifestyles.

Food and Nutrition Service

FNS' human capital consists of employment and training (E&T) for the SNAP. The E&T program requires recipients of SNAP benefits to participate in an employment and training program as a condition to SNAP eligibility.

Outcome data for the E&T program is only available through the third quarter. As of this period, FNS' E&T program has placed 812,318 work registrants subject to the 3-month SNAP participant limit and 1,503,052 work registrants not subject to the limit in either job search, job training, job workfare, education, or work experience.

Agricultural Research Service

As the Nation's primary source for agricultural information, the National Agricultural Library (NAL) has a mission to increase the availability and utilization of agricultural information for researchers, educators, policymakers, consumers of agricultural products, and the public. NAL is one of the world's largest and most accessible agricultural research libraries and plays a vital role in supporting research, education, and applied agriculture.

NAL was created as the departmental library for USDA in 1862 and became a national library in 1962. One of four national libraries of the U.S. (with the Library of Congress, the National Library of Medicine, and the National Library of Education), it is also the coordinator for a national network of State land-grant and USDA field libraries. In its international role, NAL serves as the U.S. center for the international agricultural information system, coordinating and sharing resources and enhancing global access to agricultural data. NAL collection of more than 50 million items and its leadership role in information services and technology applications combine to make it the foremost agricultural library in the world.

Risk Management Agency

In response to the Secretary's 1996 Risk Management Education (RME) initiative, and as mandated by the Federal Agricultural Improvement and Reform Act of 1996, the FCIC has formed new partnerships with the NIFA, the Commodity Futures Trading Commission, the USDA National Office of Outreach, Economic Research Service, and private industry to leverage the Federal government's funding of its RME program by using both public and private organizations to help educate their members in agricultural risk management. The RME effort was launched in 1997 with a Risk Management Education Summit that raised awareness of the tools and resources needed by farmers and ranchers to manage their risks. RMA has built on this foundation since 2003 by expanding State and Regional education partnerships; encouraging the development of information and technology decision aids; supporting the National Future Farmers of America (FFA) foundation with an annual essay contest; facilitating local training workshops; and supporting Cooperative Agreements with Educational and outreach organizations.

During fiscal years 2010 and 2009, the RME worked toward the goals by funding risk management sessions, most of which targeted producers directly. The number of producers reached through these sessions is approximately 47,100 and 20,000 in fiscal years 2010 and 2009, respectively. Additionally, some training sessions helped those who work with producers, such as lenders, agricultural educators, and crop insurance agents, better understand those areas of risk management with which they may be unfamiliar. Total RME obligations incurred by the FCIC were approximately $6 million for fiscal years 2010 and 2009. The following table summarizes the RME initiatives since fiscal year 2006:

(dollars in millions)		2010	2009	2008	2007	2006
RME Obligations	$	6	6	10	11	10
Number of producers attending RME sessions		47,100	20,000	49,000	49,000	48,000

One of the directives of the Agricultural Risk Protection Act (ARPA) is to step up the FCIC's educational and outreach efforts in certain areas of the country that have been historically underserved by the Federal crop insurance program. The Secretary determined that fifteen states met the underserved criteria. These states are Maine, Massachusetts, Connecticut, Wyoming, New Jersey, New York, Delaware, Nevada, Pennsylvania, Vermont, Maryland, Utah, Rhode Island, New Hampshire, and West Virginia.

Research and Development

Agricultural Research Service

The Agricultural Research Service (ARS) mission is to conduct research to develop and transfer solutions to agricultural problems of high national priority and provide information access and dissemination to: ensure high quality, safe food, and other agricultural products; assess the nutritional needs of Americans; sustain a competitive agricultural economy; enhance the natural resource base and the environment; and provide economic opportunities for rural citizens, communities, and society as a whole. ARS' programs are aligned under the Department's priorities as follows:

USDA Strategic Goal 1: Assist Rural Communities to Create Prosperity So They Are Self-Sustaining, Repopulating, and Economically Thriving

Product Quality/Value Added – Many agricultural products are marketed as low value commodities and harvested commodities often suffer losses due to spoilage or damage during shipping, storage, and handling. Healthy foods are often not convenient and/or are not widely accepted by many consumers. Biobased product represent small fraction of the market for industrial products and their performance is often uncertain. Biofuels and some biobased products are not yet economically competitive with petroleum-based products.

ARS has active research programs directed toward: 1) improving the efficiency and reducing the cost for the conversion of agricultural products into biobased products and biofuels; 2) developing new and improved products to help establish them in domestic and foreign markets; and 3) providing higher quality, healthy foods that satisfy consumer needs in the United States and abroad. Note: Some of ARS' Livestock and Crop Production research is carried out under this Strategic Goal and Strategic Goal 3.

National Agricultural Library — The Library, the world's largest library serving agriculture, delivered more than 91 million direct customer service transactions in FY 2010, a reduction of about 2 percent from the FY 2009 level due to a change in the way Web usage metrics are recorded. NAL no longer reports total "hits" but rather total unique visitors, page views, and searches.

Buildings and Facilities —ARS has more than 100 laboratories, primarily located throughout the United States. ARS' facilities programs are designed to meet the needs of its scientists and support personnel to accomplish the agency's mission.

USDA Strategic Goal 2: Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources

Environmental Stewardship — ARS' research programs in environmental stewardship support scientists at 70 locations. Emphasis is given to developing technologies and systems that support profitable production and enhance the Nation's vast renewable natural resource base.

ARS is currently developing the scientific knowledge and technologies needed to meet the challenges and opportunities facing U.S. agriculture in managing water resource quality and quantity under different climatic regimes, production systems, and environmental conditions. ARS' air resources research is developing measurements, prediction, and control technologies for emissions of greenhouse gases, particulate matter, ammonia, hydrogen sulfide, and volatile organic compounds affecting air quality and land-surface climate interactions. The agency is a leader in developing measurement and modeling techniques for enhancing the health and productivity of soils, including developing predictive tools to assess the sustainability of alternative land management practices. Finding mechanisms to aid agriculture in adapting to changes in atmospheric composition and climatic variations are also important components of ARS' research program.

ARS' grazing and range land research includes the conservation and restoration of the Nation's range land and pasture ecosystems and agroecosystems through improved management of fire, invasive weeds, grazing, global change, and other agents of ecological change. ARS is currently developing improved grass and forage legume germplasm for livestock, conservation, bioenergy, and bioproduct systems as well as grazing-based livestock systems that reduce risk and increase profitability. In addition, the agency is developing whole system of management strategies to reduce production costs and risks.

USDA Strategic Goal 3: Help America Agricultural Production and Biotechnology Exports As America Works to Increase Food Security

Livestock Production — ARS' livestock production program is directed toward: 1) safeguarding and utilizing animal genetic resources, associated genetic and genomic databases, and bioinformatics tools; 2) developing a basic understanding of the physiology of livestock and poultry; and 3) developing information, tools, and technologies that can be used to improve animal production systems. The research is heavily focused on the development and application of genomics technologies to increase the efficiency and product quality of beef, dairy, swine, poultry, aquaculture, and sheep systems.

Current areas of emphasis include increasing efficiency of nutrient utilization; increasing animal well being and reducing stress in production systems; increasing reproductive rates and breeding animal longevity; developing and evaluating non-traditional production systems (e.g., organic, natural); and evaluating and conserving animal genetic resources.

Crop Production — ARS' crop production program focuses on developing and improving ways to reduce crop losses while protecting and ensuring a safe and affordable food supply. The research program concentrates on effective production strategies that are environmentally friendly, safe to consumers, and compatible with sustainable and profitable crop production systems. Research activities are directed at safeguarding and utilizing plant genetic resources and their associated genetic, genomic, and bioinformatics databases that facilitate selection of varieties and/or germplasm with significantly improved traits.

Current research activities attempt to minimize the impacts of crop pests while maintaining healthy crops and safe commodities that can be sold in markets throughout the world. ARS is conducting research to discover and exploit naturally occurring and engineered genetic mechanisms for plant pest control; develop agronomic germplasm with durable defensive traits, and transfer genetic resources for commercial use. ARS is also providing taxonomic information on invasive species that strengthen prevention techniques, aid in detection/identification of invasives, and increase control through management tactics which restore habitats and biological diversity.

USDA Strategic Goal 4: Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals

Food Safety — Assuring that the United States has the highest levels of affordable, safe food requires that the food system be protected at each stage from production through processing and consumption from pathogens, toxins, and chemical contaminants that cause diseases in humans. The U.S. food supply is very diverse, extensive, easily accessible, and thus vulnerable to the introduction of biological and chemical contaminants through natural processes, intentional means, or by global commerce.

ARS' current food safety research is designed to yield science-based knowledge on the safe production, storage, processing, and handling of plant and animal products, and on the detection and control of toxin producing and/or pathogenic bacteria and fungi, parasites, chemical contaminants, and plant toxins. ARS' research activities involve a high degree of cooperation and collaboration both within the USDA-REE agencies as well as with USDA's Food Safety and Inspection Service and the Animal and Plant Health Inspection Service, and with other entities, including the Food and Drug Administration, the Centers for Disease Control, the Department of Homeland Security, and the Environmental Protection Agency. ARS also collaborates in international research programs to address and resolve global food safety issues.

Specific research efforts are directed toward developing new technologies that assist ARS stakeholders and customers, that is, regulatory agencies, industry, and commodity and consumer organizations in detecting, identifying, and controlling foodborne diseases that affect human health.

Livestock Protection — ARS' animal health program is directed at protecting and ensuring the safety of the Nation's agriculture and food supply through improved disease detection, prevention, control, and treatment. Basic and applied research approaches are used to solve animal health problems of high national priority. Emphasis is given to methods and procedures to control animal diseases.

The research program has 10 strategic objectives: 1) establish ARS' laboratories into a fluid, highly effective research network to maximize use of core competencies and resources; 2) access specialized high containment facilities to study zoonotic and emerging diseases; 3) develop an integrated animal and microbial genomics research program; 4) establish centers of excellence in animal immunology; 5) launch a biotherapeutic discovery program providing alternatives to animal drugs; 6) build a technology driven vaccine and diagnostic discovery research program; 7) develop core competencies in field epidemiology and predictive biology; 8) develop internationally recognized expert collaborative research laboratories; 9) establish a best in class training center for our Nation's veterinarians and scientists; and 10) develop a model technology transfer program to achieve the full impact of ARS' research discoveries.

ARS' current animal research program includes eight core components: 1) biodefense research, 2) animal genomics and immunology, 3) zoonotic diseases, 4) respiratory diseases, 5) reproductive and neonatal diseases, 6) enteric diseases, 7) parasitic diseases, and 8) transmissible spongiform encephalopathies.

Crop Protection – ARS research on crop protection is directed toward epidemiological investigations to understand pest and disease transmission mechanisms, and to identify and apply new technologies that increase our understanding of virulence factors and host defense mechanisms.

Currently, ARS' research priorities include: 1) identification of genes that convey virulence traits in pathogens and pests; 2) factors that modulate infectivity, gene functions, and mechanisms; 3) genetic profiles that provide specified levels of disease and insect resistance under field conditions, and 4) mechanisms that facilitate the spread of pests and infectious diseases.

ARS is developing new knowledge and integrated pest management approaches to control pest and disease outbreaks as they occur. Its research will improve the knowledge and understanding of the ecology, physiology, epidemiology, and molecular biology of emerging diseases and pests. This knowledge will be incorporated into pest risk assessments and management strategies to minimize chemical inputs and increase production. Strategies and approaches will be available to producers to control emerging crop diseases and pest outbreaks.

Human Nutrition – Maintenance of health throughout the lifespan along with prevention of obesity and chronic diseases via food-based recommendations are the major emphasis of ARS' human nutrition research program. These health-related goals are based on the knowledge that deficiency diseases are no longer the most important public health concerns. Excessive consumption has become the primary nutrition problem in the American population. This is reflected by increased emphasis on prevention of obesity from basic science through intervention studies to assessments of large populations. ARS' research programs also actively study bioactive components of foods that have no known requirement but have health promotion activities.

Four specific areas of research are currently emphasized: 1) nutrition monitoring and the food supply, e.g., a national diet survey and the food composition databank; 2) dietary guidance for health promotion and disease prevention, i.e., specific foods, nutrients, and dietary patterns that maintain health and prevent diseases; 3) prevention of obesity and related diseases, including research as to why so few of the population do not follow the Dietary Guidelines for Americans; and 4) life stage nutrition and metabolism, in order to better define the role of nutrition in pregnancy, growth of children, and for healthier aging.

National Institute of Food and Agriculture

NIFA participates in a nationwide land-grant university system of agriculture related research and program planning and coordination between State institutions and USDA. It assists in maintaining cooperation among the State institutions, and between the State institutions and their Federal research partners. NIFA administers grants and formula payments to State institutions to supplement State and local funding for agriculture research.

Forest Service

Forest Service R&D has an integrated portfolio that supports achievement of the agency's strategic goals with an emphasis in seven strategic program areas:

Wildland Fire and Fuels - R&D provides managers the knowledge and tools to reduce the negative impacts of fire and enhance the beneficial effects of fire, as a natural process, and the human process of fire and fuels management on society and the environment.

Research focuses on understanding and modeling fundamental fire processes; interactions of fire with ecosystems and the environment; social and economic aspects of fire; evaluation of integrated management strategies and disturbance interactions at multiple scales; and application of fire research to address management problems.

Invasive Species — R&D provides the scientific information, methods, and technology to reduce or eliminate the introduction, spread, and impact of invasive species, and to restore or improve the functionality of ecosystems affected by invasives species.

Research focuses on plants, animals, fish, insects, diseases, invertebrates, and other species not native to an ecosystem whose introduction is likely to cause economic or environmental harm.

Water, Air, and Soil — R&D enables the sustainable management of these essential resources by providing clear air and safe drinking water, by protecting lives and property from wildlife fire and smoke, and through adapting to climate variability and change.

The program features ecosystem services with a high level of integration between water, air, and soil research, such as the effects of climate variability and change on water budgets or carbon sequestration from an ecosystem perspective.

Wildlife and Fish — R&D relies upon interdisciplinary research to inform policy initiatives affecting wildlife and fish habitat on private and public lands, and the recovery of threatened or endangered species.

Scientists investigate the complex interactions among species, ecosystem dynamics and processes, land use and management, and any emerging broadscale threats, including global climate change, loss of open space, invasive species, and disease.

Resource Management and Use — R&D provides the scientific and technology base to sustainably manage and use forest resources and forest fiber-based products.

Research focuses on the plant sciences, soil sciences, social sciences, silviculture, productivity, forest and range ecology management, harvesting and operations, forest and biomass products and utilization, economics, urban forestry, and climate change.

Outdoor Recreation — R&D promotes human and ecological sustainability by researching environmental management, activities, and experiences that connect people with the natural world.

Research in Outdoor Recreation is interdisciplinary, focusing on nature-based recreation and the changing trends in American society; connections between recreation visitors, communities, and the environment; human benefits and consequences of recreation and nature contact; the effectiveness of recreation management and decision-making; and sustaining ecosystems affected by recreational use.

Inventory and Monitoring — R&D provides the resource data, analysis, and tools needed to monitor forest ecosystems at greatest risk from rapid change due to threats from fire, insects, disease, natural processes, or management actions. From their research, scientists determine the status and trend of the health of the Nation's forests and grasslands, and the potential impact from climate change.

Their research integrates the development and use of science, technology, and remotely sensed data to better understand the incidences of forest fragmentation over time from changes in land use or from insects, disease, fire, and extreme weather events.

A representative summary of FY 2010 accomplishments include:

- 38 new interagency agreements and contracts;
- 12 interagency agreements and contracts continued;
- 1,790 articles published in journals;
- 1,481 articles published in all other publications; and
- 2 patents granted.

Economic Research Service

The Economic Research Service (ERS) provides economic and other social science research and analysis for public and private decisions on agriculture, food, natural resources, and rural America. Research results and economic indicators on these important issues are fully disseminated through published and electronic reports and articles; special staff analyses, briefings, presentations, and papers; databases; and individual contacts. ERS' objective information and analysis helps public and private decision makers attain the goals that promote agricultural competitiveness, food safety and security, a well-nourished population, environmental quality, and a sustainable rural economy.

National Agricultural Statistics Service

Statistical research and service is conducted to improve the statistical methods and related technologies used in developing U.S. agricultural statistics. The highest priority of the research agenda is to aid the National Agricultural Statistics Service estimation program through development of better estimators at lower cost and with less respondent burden. This means greater efficiency in sampling and data collection coupled with higher quality data upon which to base the official estimates. In addition, products for data users are being improved using technologies such as remote sensing and geographic information systems. Continued service to users will be increasingly dependent upon methodological and technological efficiencies.

Required Supplementary Information

DEFERRED MAINTENANCE (UNAUDITED)

Deferred maintenance is maintenance that was scheduled to be performed but was delayed until a future period. Deferred maintenance represents a cost that the Federal Government has elected not to fund and, therefore, the costs are not reflected in the financial statements.

Maintenance is defined to include preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable service and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to service needs different from, or significantly greater than, those originally intended.

Forest Service

FY 2010	Cost to Return to Acceptable Condition	Cost of Critical Maintenance	Cost of Non-critical Maintenance
Asset Class			
Bridges	$ 172	$ 34	$ 138
Buildings	1,038	125	913
Dam	24	6	18
Minor Constructed Features	115	-	115
Fence	297	297	-
Handling Facility	22	22	-
Heritage	26	8	18
Road	3,108	311	2,797
Trail Bridge	11	4	7
Wastewater	37	23	14
Water	117	66	51
Wildlife, Fish, TES	7	5	2
Trails	296	7	289
General Forest Area	-	-	-
Total Forest Service	$ 5,270	$ 908	$ 4,362

FY 2009	Cost to Return to Acceptable Condition	Cost of Critical Maintenance	Cost of Non-critical Maintenance
Asset Class			
Bridges	$ 156	$ 29	$ 127
Buildings	1,023	144	879
Dam	29	10	19
Minor Constructed Features	107	-	107
Fence	298	298	-
Handling Facility	22	22	-
Heritage	25	9	16
Road	3,178	318	2,860
Trail Bridge	11	4	7
Wastewater	40	24	16
Water	118	67	51
Wildlife, Fish, TES	6	4	2
Trails	294	5	289
General Forest Area	-	-	-
Total Forest Service	$ 5,307	$ 934	$ 4,373

Deferred maintenance is reported for general Property, Plant, and Equipment (PP&E), heritage assets, and stewardship land. It is also reported separately for critical and noncritical amounts of maintenance needed to return each class of asset to its acceptable operating condition. Critical maintenance is defined as a serious threat to public health or safety, a natural resource, or the ability to carry out the mission of the organization. Noncritical maintenance is defined as a potential risk to the public or employee safety or health (e.g., compliance with codes, standards, or regulations) and potential adverse consequences to natural resources or mission accomplishment.

The Forest Service began reporting deferred maintenance in 2000. Estimates of deferred maintenance for all major classes of PP&E, heritage assets, and stewardship assets are based on condition surveys. The agency has completed two rounds of condition surveys providing a comprehensive national assessment of Forest Service property.

For roads, deferred maintenance is determined from surveys of an annual random sample of a sufficient number of roads to achieve estimates of 95-percent accuracy and 95-percent confidence. Validation of this process is ongoing.

Deferred maintenance needs for all other asset groups are determined from surveys of all individual assets on a revolving schedule where the interval between visits does not exceed 5 years.

No deferred maintenance exists for fleet vehicles as they are managed through the agency's working capital fund (WCF). Each fleet vehicle is maintained according to schedule. The cost of maintaining the remaining classes of equipment is expensed.

The overall condition of major asset classes range from poor to good depending on the location, age, and type of property. The standards for acceptable operating condition for various classes of general PP&E, stewardship, and heritage assets are as follows.

Conditions of roads and bridges within the National Forest System (NFS) road system are measured by various standards:

- Federal Highway Administration regulations for the Federal Highway Safety Act;
- Best management practices for the nonpoint source provisions of the Clean Water Act from Environmental Protection Agency and States;
- Road management objectives developed through the National Forest Management Act forest planning process; and
- **Forest Service Directives**—Forest Service Manual (FSM) 7730, Operation and Maintenance (August 25, 2005, amendment was superseded with October 1, 2008, revision); Forest Service Handbook (FSH) 7709.56a, Road Preconstruction, and FSH 7709.56b, Transportation Structures Handbook.

Dams shall be managed according to FSM 7500, Water Storage and Transmission, and FSH 7509.11, Dams Management Handbook. The condition of a dam is acceptable when the dam meets current design standards and does not have any deficiencies that threaten the safety of the structure or public. For dams to be rated in acceptable condition, the agency needs to restore the dams to the original functional purpose, correct unsightly conditions, or prevent more costly repairs.

Buildings shall comply with the National Life Safety Code, the Forest Service Health and Safety Handbook, and the Occupational Safety Health Administration as determined by condition surveys. These requirements are found in FSM 7310, Buildings and Related Facilities, revised November 19, 2004. The condition of administrative facilities ranges from poor to good, with approximately 35 percent needing major repairs or renovations; approximately 14 percent in fair condition; and 51 percent of the facilities in good condition.

The agency is currently developing an integrated strategy to realign our administrative facility infrastructure to meet current organizational structure and to reduce the maintenance liability for unneeded buildings, free up land for use by local communities and private enterprise, and provide added funds for infrastructure maintenance and development. Forest Service anticipates maximum benefits from a combination of appropriations, facility conveyance receipts, and decommissioning of unneeded facilities.

Recreation facilities include developed recreation sites, general forest areas, campgrounds, trailheads, trails, water and wastewater systems, interpretive facilities, and visitor centers. These components are included in several asset classes of the deferred maintenance exhibit. All developed sites are managed in accordance with Federal laws and regulations (Code of Federal Regulations (CFR) 36).

Detailed management guidelines are contained in FSM 2330, Publicly Managed Recreation Opportunities, and forest- and regional-level user guides. Quality standards for developed recreation sites were established as meaningful measures for health and cleanliness, settings, safety and security, responsiveness, and the condition of the facility.

The condition assessment for range structures (fences and stock handling facilities) is based on (1) a determination by knowledgeable range specialists or other district personnel of whether the structure would perform the originally intended function, and (2) a determination through the use of a protocol system to assess conditions based on age. A long-standing range methodology is used to gather this data.

Heritage assets include archaeological sites that require determinations of National Register of Historic Places status, National Historic Landmarks, and significant historic properties. Some heritage assets may have historical significance, but their primary function in the agency is as visitation or recreation sites and, therefore, may not fall under the management responsibility of the heritage program.

Trails and trail bridges are managed according to Federal law and regulations (CFR 36). More specific direction is contained in FSM 2350, Trail, River, and Similar Recreation Opportunities, and the FSH 2309.18, Trails Management Handbook.

Deferred maintenance of structures for wildlife, fish, and threatened and endangered species is determined by field biologists using their professional judgment. The deferred maintenance is considered critical if resource damage or species endangerment would likely occur if maintenance were deferred much longer.

Condition of Heritage Assets and Stewardship Lands

The Statement of Federal Financial Accounting Standard No. 29, Heritage Assets and Stewardship Lands, reclassified information on heritage and stewardship land assets from "supplementary" to "basic." This change moves the acquisitions and withdrawals of these assets to the financial notes, accompanying the financial statements. The condition information for these assets remains supplementary.

Heritage Assets

Heritage professionals are responsible for documenting and maintaining cultural resource condition assessments to standard. Periodic monitoring and condition assessments are the basis for applying protective measures and treatments to vulnerable, deteriorating, or threatened cultural resources. The condition of heritage assets depends on the type of asset and varies from poor to fair.

Stewardship Land

The condition of NFS lands varies by purpose and location. The Forest Service monitors the condition of its stewardship lands based on information compiled by two national inventory and monitoring programs—Forest Inventory and Analysis (FIA) and Forest Health Monitoring (FHM).

Although most of the estimated 193 million acres of stewardship lands continue to produce valuable benefits – clean air and water, habitat for wildlife, and products for human use – significant portions are at risk to pest outbreaks or catastrophic fires.

There are 25 million acres of NFS forest lands at risk to future mortality from insects and diseases, based on the 2006 publication of Mapping Risk from Forest Insects and Diseases. Invasive species of insects, diseases, and plants continue to affect our native ecosystems by causing mortality to, or displacement of, native vegetation.

The projected accomplishments on NFS lands include treatment of 198,478 acres for invasives and 33,043 acres for native pests. These numbers should be considered preliminary, with final amounts of acres treated for invasives and native pests on NFS lands available at www.fs.fed.us in February 2011.

Agricultural Research Service

	FY 2010	FY 2009
Asset Class		
Buildings	$ 251	$ 258
Structures	21	19
Heritage	94	89
Total Agricultural Research Service	$ 366	$ 366

Deferred Maintenance (DM) includes work needed to meet laws, regulations, codes and other legal direction as long as the original intent or purpose of the fixed asset is not changed. Also includes work performed to bring an asset up to present environmental standards or correction of safety problems. Critical DM is DM that is identified for critical systems including HVAC, electrical, roofing, and plumbing tasks. Non-critical DM is all other systems. DM is reported for buildings, structures and heritage assets.

Executive Order (EO) 13327 requires all Federal agencies to assess the condition of their facilities and plan for their full life cycle management. The Condition Index (CI) is a general measure of the constructed asset's condition at a specific point in time. It is calculated as the ration of repair needs, or DM, to plant replacement value (PRV). PRV can be calculated systematically and without much effort. The condition of the constructed asset is a more difficult figure to determine. A repair need is the amount necessary to ensure a constructed asset is restored to a condition substantially equivalent to the originally intended and designed capacity, efficiency or capability. Ideally, with enough money and time, repair needs would be determined for each asset by inspection, evaluation of the repairs required, and consistent estimating of the repairs throughout ARS. ARS does not have available manpower in house to complete this type of inspection and estimating, nor the funding to contract. ARS looked at approaches to model ARS assets and evaluate the results for management purposes.

Whitestone Research is a company that estimates DM based on the age of the facility, geographic location, typical major components and size of the structure. Whitestone first inspected a sample of representative buildings from 36 ARS sites (roughly 55 percent of the total inventory) and used parametric models to estimate DM and PRV. These results were generalized to the entire population of ARS facilities. Assuming a PRV of $3.8 billion, the CI ratio (1 - $DM/PRV) is 92 percent, an outcome commonly classified as "adequate."

STATEMENT OF BUDGETARY RESOURCES (UNAUDITED)

FY 2010	FSA		CCC		FAS	RMA	FNS	FSIS	AMS	APHIS
	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary
Budgetary Resources:										
Unobligated balance, brought forward, October 1 (Note 24)	$ 2,692	$ 1,726	$ 2,020	$ 971	$ 368	$ 557	$ 15,471	$ 32	$ 497	$ 299
Recoveries of prior year unpaid obligations	71	97	1,332	34	24	3	990	132	18	128
Budget Authority:										
Appropriation	4,274	-	18,014	-	391	6,979	87,130	1,028	8,316	1,443
Borrowing Authority	-	3,034	39,063	1,199	-	-	-	-	-	-
Earned -										
Collected	660	2,389	11,294	500	48	2,449	129	141	57	143
Change in receivables from Federal Sources	(1)	-	14	1	21	-	-	19	-	(4)
Change in unfilled customer orders -										
Advances received	-	-	382	-	1	-	-	-	-	-
Without advance from Federal Sources	4	(16)	-	(19)	135	-	-	9	-	-
Expenditure transfers from trust funds	-	-	937	-	-	-	-	-	-	-
Nonexpenditure transfers, net, anticipated and actual	-	-	(3,618)	-	143	1	7,039	-	(7,068)	(200)
Temporarily not available pursuant to Public Law	-	-	-	-	-	-	-	-	(122)	-
Permanently not available	(469)	(1,309)	(41,586)	(348)	(82)	(2,353)	(313)	(2)	(134)	(2)
Total Budgetary Resources	7,231	5,921	27,852	2,338	1,049	7,636	110,446	1,359	1,564	1,807
Status of Budgetary Resources:										
Obligations Incurred:										
Direct	5,383	2,676	3,127	1,228	345	7,073	95,816	1,168	1,396	1,379
Reimbursable	421	-	22,438	-	120	-	51	141	53	140
Unobligated Balance:										
Apportioned	460	822	305	861	176	559	3,774	46	100	268
Exempt from Apportionment	204	-	1,188	5	-	-	-	-	-	-
Unobligated balance not available	763	2,423	794	244	408	4	10,805	4	15	20
Total Status of Budgetary Resources	7,231	5,921	27,852	2,338	1,049	7,636	110,446	1,359	1,564	1,807
Change in Obligated Balances:										
Obligated balance, net, brought forward October 1	594	479	9,308	(18)	71	392	5,347	169	168	360
Obligations incurred	5,804	2,676	25,565	1,228	465	7,073	95,867	1,309	1,449	1,519
Gross outlays	(5,294)	(2,552)	(23,881)	(1,115)	(446)	(7,233)	(93,951)	(1,169)	(1,420)	(1,341)
Recoveries of prior year unpaid obligations, actual	(71)	(97)	(1,332)	(34)	(24)	(3)	(990)	(132)	(18)	(128)
Change in uncollected payments from Federal Sources	(3)	15	(14)	19	(156)	-	-	(28)	-	4
Obligated balance, net, end of period -										
Unpaid obligations	1,046	541	9,895	238	182	230	6,272	194	181	438
Uncollected customer payments from Federal Sources	(15)	(19)	(247)	(158)	(271)	-	-	(44)	(2)	(23)
Obligated balance, net, end of period	1,031	522	9,648	80	(89)	230	6,272	150	179	415
Net Outlays:										
Gross outlays	5,294	2,552	23,881	1,115	446	7,233	93,951	1,169	1,420	1,341
Offsetting collections	(660)	(2,389)	(12,613)	(501)	(49)	(2,449)	(129)	(141)	(57)	(143)
Distributed offsetting receipts	(213)	-	-	(576)	-	-	-	(10)	(154)	(19)
Net Outlays	$ 4,421	$ 163	$ 11,268	$ 38	$ 397	$ 4,784	$ 93,822	$ 1,018	$ 1,209	$ 1,179

FY 2010	GIPSA	FS	NRCS	ARS	NIFA	ERS	NASS	RD		DO	TOTAL	
	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Non-Budgetary Financing Accounts
Budgetary Resources:												
Unobligated balance, brought forward, October 1 (Note 24)	$ 13	$ 2,747	$ 1,768	$ 423	$ 204	$ 6	$ 7	$ 5,910	$ 1,992	$ 106	$ 33,120	$ 4,689
Recoveries of prior year unpaid obligations	5	40	384	20	318	-	1	233	975	22	3,721	1,106
Budget Authority:												
Appropriation	42	6,094	1,010	1,264	1,386	83	162	6,453	-	632	144,701	-
Borrowing Authority	-	-	-	-	-	-	-	-	17,619	-	39,063	21,852
Earned -												
Collected	49	495	113	75	15	1	18	4,886	8,099	712	21,285	10,988
Change in receivables from Federal Sources	1	(50)	1	(22)	7	-	19	4	-	180	189	1
Change in unfilled customer orders -												
Advances received	-	8	(3)	2	23	-	3	-	-	10	426	-
Without advance from Federal Sources	-	8	46	74	(32)	4	8	(2)	1	55	309	(34)
Expenditure transfers from trust funds	-	-	-	-	-	-	-	-	-	-	937	-
Nonexpenditure transfers, net, anticipated and actual	-	(1)	2,940	2	123	-	-	356	-	30	(253)	-
Temporarily not available pursuant to Public Law	-	-	-	-	(12)	-	-	-	-	-	(134)	-
Permanently not available	(1)	-	-	(2)	(5)	(1)	-	(5,381)	(4,589)	(4)	(50,335)	(6,246)
Total Budgetary Resources	109	9,341	6,259	1,836	2,027	93	218	12,459	24,097	1,743	193,029	32,356
Status of Budgetary Resources:												
Obligations Incurred:												
Direct	46	6,571	4,414	1,394	1,754	83	161	8,209	20,155	605	138,924	24,059
Reimbursable	46	409	156	120	(2)	5	28	620	-	939	25,685	-
Unobligated Balance:												
Apportioned	16	1,362	403	289	232	1	20	2,225	2,550	113	10,349	4,233
Exempt from Apportionment	-	-	-	-	-	-	-	-	-	-	1,392	5
Unobligated balance not available	1	999	1,286	33	43	4	9	1,405	1,392	86	16,679	4,059
Total Status of Budgetary Resources	109	9,341	6,259	1,836	2,027	93	218	12,459	24,097	1,743	193,029	32,356
Change in Obligated Balances:												
Obligated balance, net, brought forward October 1	6	2,290	3,225	342	1,630	26	22	5,516	22,837	138	29,604	23,298
Obligations incurred	92	6,980	4,570	1,514	1,752	88	189	8,829	20,155	1,544	164,609	24,059
Gross outlays	(87)	(6,509)	(3,265)	(1,353)	(1,185)	(69)	(180)	(5,474)	(13,507)	(1,328)	(154,185)	(17,174)
Recoveries of prior year unpaid obligations, actual	(5)	(40)	(384)	(20)	(318)	-	(1)	(233)	(975)	(22)	(3,721)	(1,106)
Change in uncollected payments from Federal Sources	(1)	42	(47)	(51)	25	(4)	(27)	(2)	(1)	(236)	(498)	33
Obligated balance, net, end of period -												
Unpaid obligations	10	3,072	4,242	574	1,965	46	33	8,649	29,414	511	37,540	30,193
Uncollected customer payments from Federal Sources	(6)	(310)	(144)	(142)	(62)	(5)	(30)	(14)	(905)	(415)	(1,730)	(1,082)
Obligated balance, net, end of period	4	2,762	4,098	432	1,903	41	3	8,635	28,509	96	35,810	29,111
Net Outlays:												
Gross outlays	87	6,509	3,265	1,353	1,185	69	180	5,474	13,507	1,328	154,185	17,174
Offsetting collections	(49)	(503)	(110)	(77)	(38)	(1)	(21)	(4,886)	(8,099)	(722)	(22,648)	(10,989)
Distributed offsetting receipts	-	(429)	1	(13)	(4)	-	-	(661)	-	(10)	(1,512)	(576)
Net Outlays	$ 38	$ 5,577	$ 3,156	$ 1,263	$ 1,143	$ 68	$ 159	$ (73)	$ 5,408	$ 596	$ 130,025	$ 5,609

FY 2009	FSA		CCC		FAS	RMA	FNS	FSIS	AMS	APHIS
	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary
Budgetary Resources:										
Unobligated balance, brought forward, October 1:	$ 2,215	$ 869	$ 2,098	$ 2,516	$ 382	$ 2,057	$ 14,258	$ 29	$ 433	$ 368
Recoveries of prior year unpaid obligations	55	72	181	10	170	4	507	1,441	15	168
Budget Authority:										
Appropriation	2,733	-	15,444	-	331	6,843	75,647	982	8,227	1,394
Borrowing Authority	-	2,937	28,870	340	-	-	-	-	-	-
Earned -										
Collected	728	1,628	11,722	553	102	4,211	84	146	58	105
Change in receivables from Federal Sources	(3)	-	(89)	-	42	-	-	(15)	-	8
Change in unfilled customer orders -										
Advances received	-	-	154	-	-	-	-	-	-	-
Without advance from Federal Sources	1	23	-	(18)	(13)	-	-	3	-	-
Expenditure transfers from trust funds	-	-	1,130	-	-	-	-	-	-	-
Nonexpenditure transfers, net, anticipated and actual	51	-	(2,241)	-	102	1	6,590	-	(6,616)	(300)
Temporarily not available pursuant to Public Law	-	-	-	-	-	-	-	-	-	-
Permanently not available	(321)	(524)	(27,444)	(1,583)	(75)	(2)	(2,119)	(9)	(295)	(9)
Total Budgetary Resources	5,459	5,005	29,825	1,818	1,041	13,114	94,967	2,577	1,822	1,734
Status of Budgetary Resources:										
Obligations Incurred:										
Direct	2,317	3,279	3,573	847	529	12,113	79,454	2,419	1,274	1,099
Reimbursable	450	-	24,232	-	144	-	42	126	51	336
Unobligated Balance:										
Apportioned	2,523	628	329	363	89	996	1,520	12	33	267
Exempt from Apportionment	-	-	841	4	-	-	-	-	32	-
Unobligated balance not available	169	1,098	850	604	279	5	13,951	20	432	32
Total Status of Budgetary Resources	5,459	5,005	29,825	1,818	1,041	13,114	94,967	2,577	1,822	1,734
Change in Obligated Balances:										
Obligated balance, net, brought forward October 1	497	330	7,646	6	20	456	4,288	162	122	391
Obligations incurred	2,767	3,279	27,805	847	673	12,113	79,496	2,545	1,325	1,435
Gross outlays	(2,618)	(3,036)	(26,050)	(879)	(423)	(12,173)	(77,928)	(1,108)	(1,265)	(1,289)
Recoveries of prior year unpaid obligations, actual	(55)	(72)	(181)	(10)	(170)	(4)	(507)	(1,441)	(15)	(168)
Change in uncollected payments from Federal Sources	2	(23)	89	18	(29)	-	-	12	-	(8)
Obligated balance, net, end of period -										
Unpaid obligations	606	514	9,541	159	187	392	5,347	186	170	387
Uncollected customer payments from Federal Sources	(12)	(35)	(233)	(177)	(116)	-	-	(17)	(2)	(27)
Obligated balance, net, end of period	594	479	9,308	(18)	71	392	5,347	169	168	360
Net Outlays:										
Gross outlays	2,618	3,036	26,050	879	423	12,173	77,928	1,108	1,265	1,289
Offsetting collections	(729)	(1,628)	(13,006)	(553)	(103)	(4,211)	(84)	(146)	(58)	(104)
Distributed offsetting receipts	(951)	-	-	(474)	(1)	-	-	(11)	(155)	(15)
Net Outlays	$ 938	$ 1,408	$ 13,044	$ (148)	$ 319	$ 7,962	$ 77,844	$ 951	$ 1,052	$ 1,170

FY 2009	GIPSA	FS	NRCS	ARS	NIFA	ERS	NASS	RD		DO	TOTAL	
	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Non-Budgetary Financing Accounts
Budgetary Resources:												
Unobligated balance, brought forward, October 1:	$ 14	$ 2,170	$ 1,793	$ 241	$ 127	$ 4	$ 4	$ 1,827	$ 1,929	$ 58	$ 28,078	5,314
Recoveries of prior year unpaid obligations	6	38	572	111	446	4	6	153	672	57	3,934	754
Budget Authority:												
Appropriation	40	7,107	1,308	1,387	1,270	80	152	8,847	-	543	132,335	-
Borrowing Authority	-	-	-	-	-	-	-	-	11,628	-	28,870	14,905
Earned -												
Collected	42	535	108	105	46	-	24	3,846	7,315	816	22,678	9,496
Change in receivables from Federal Sources	-	(23)	(6)	-	(2)	-	-	4	-	24	(60)	-
Change in unfilled customer orders -												
Advance received	-	2	4	-	(18)	-	-	-	-	(2)	140	-
Without advance from Federal Sources	-	(51)	17	(6)	11	1	-	-	215	(10)	(47)	220
Expenditure transfers from trust funds	-	-	-	-	-	-	-	-	-	-	1,130	-
Nonexpenditure transfers, net, anticipated and actual	-	-	1,612	3	160	-	-	204	-	3	(431)	-
Temporarily not available pursuant to Public Law	-	-	-	-	(12)	-	-	-	-	-	(12)	-
Permanently not available	(1)	(5)	(1)	(6)	(5)	(1)	(2)	(2,636)	(3,498)	(7)	(32,938)	(5,605)
Total Budgetary Resources	101	9,773	5,407	1,835	2,023	88	184	12,245	18,261	1,482	183,677	25,084
Status of Budgetary Resources:												
Obligations Incurred:												
Direct	46	6,544	3,540	1,300	1,717	81	153	5,780	16,269	532	122,471	20,395
Reimbursable	42	482	99	112	102	1	24	555	-	844	27,642	-
Unobligated Balance:												
Apportioned	8	2,031	794	399	202	1	5	4,423	1,333	154	13,786	2,324
Exempt from Apportionment	-	-	-	-	-	-	-	-	-	-	873	4
Unobligated balance not available	5	716	974	24	2	5	2	1,487	659	(48)	18,905	2,361
Total Status of Budgetary Resources	101	9,773	5,407	1,835	2,023	88	184	12,245	18,261	1,482	183,677	25,084
Change in Obligated Balances:												
Obligated balance, net, brought forward October 1	6	1,707	3,006	340	1,489	29	20	4,916	20,358	182	25,277	20,694
Obligations incurred	88	7,026	3,639	1,412	1,819	82	177	6,335	16,269	1,376	150,113	20,395
Gross outlays	(83)	(6,480)	(2,836)	(1,306)	(1,223)	(80)	(169)	(5,580)	(12,903)	(1,348)	(141,959)	(16,818)
Recoveries of prior year unpaid obligations, actual	(6)	(38)	(572)	(111)	(446)	(4)	(6)	(153)	(672)	(57)	(3,934)	(754)
Change in uncollected payments from Federal Sources	-	74	(11)	6	(9)	(1)	-	(4)	(215)	(14)	107	(220)
Obligated balance, net, end of period												
Unpaid obligations	11	2,641	3,322	432	1,716	27	25	5,527	23,741	319	30,836	24,414
Uncollected customer payments from Federal Sources	(5)	(351)	(97)	(90)	(86)	(1)	(3)	(11)	(904)	(181)	(1,232)	(1,116)
Obligated Balance, net, end of period	6	2,290	3,225	342	1,630	26	22	5,516	22,837	138	29,604	23,298
Net Outlays:												
Gross outlays	83	6,480	2,836	1,306	1,223	80	169	5,580	12,903	1,348	141,959	16,818
Offsetting collections	(42)	(536)	(111)	(105)	(29)	-	(24)	(3,846)	(7,315)	(814)	(23,948)	(9,496)
Distributed offsetting receipts	-	(574)	1	(23)	(5)	-	-	(1,310)	-	(56)	(3,100)	(474)
Net Outlays	$ 41	$ 5,370	$ 2,726	$ 1,178	$ 1,189	$ 80	$ 145	$ 424	$ 5,588	$ 478	$ 114,911	$ 6,848

RISK ASSUMED INFORMATION (UNAUDITED)

Risk assumed is generally measured by the present value of unpaid expected losses net of associated premiums based on the risk inherent in the insurance or guarantee coverage in force. Risk assumed information is in addition to the liability for unpaid claims from insured events that have already occurred. The assessment of losses expected based on the risk assumed are based on actuarial or financial methods applicable to the economic, legal and policy environment in force at the time the assessments are made. The FCIC has estimated the loss amounts based on the risk assumed for its programs to be $7,546 million and $8,930 million as of September 30, 2010 and 2009, respectively.

Section 4.
Other Accompanying Information

Appendix A — Response to Management Challenges

The Department of Agriculture's (USDA) Office of Inspector General (OIG) has identified and reported 10 management challenges for Fiscal Year (FY) 2010. The report includes the most significant challenges faced by USDA. It can be found at:
http://www.usda.gov/oig/webdocs/MgmtChallenges2010.pdf.

The OIG report also includes emerging issues that could become a Departmental challenge in upcoming years. OIG did not remove any of the previous year's challenges; however, sub-elements/issues reported under Challenge 2 (Internal Controls), Challenge 5 (Civil Rights), and Challenge 6 (Global Trade) were removed. OIG added new issues under Challenge 1 (Interagency Coordination) and Challenge 2 (Internal Controls).

The following table summarizes those challenges that changed from FY 2009 to FY 2010.

FY 2009 Management Challenges	FY 2010 Changes
Challenge #1 Issue: Interagency Communication, Coordination, and Program Integration Need Improvement	Challenge #1 Issue added: Coordination between Federal agencies to prevent residue from entering the food supply
Emerging Issue National Organic Program	Challenge #2 Issue added: National Organic Program
Challenge #2 Issue: Implementation of Strong, Integrated, Internal Control Systems Still Needed	Challenge #2 Issue added: Standard Reinsurance Agreement Issue added: Group Risk Plan and the Group Risk Income Protection program
Challenge #2 Issue: Capitalize on Farm Service Agency Compliance Activities to Improve Program Integrity	Issue Removed by OIG
Challenge #5 Issue: Develop Procedures to Control and Monitor Case File Documentation and Organization	Issue Removed by OIG
Challenge #6 Issue: Strengthen Trade Promotion Operations	Issue Removed by OIG

The following table includes FY 2010 accomplishments; FY 2011 planned actions, and ongoing activities to address the Department's challenges.

USDA's Management Challenges

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

- Farm Programs: Challenge #1. Farm Service Agency (FSA),Risk Management Agency (RMA), Natural Resources Conservation Service (NRCS)
  - Implement a Comprehensive Information Management System (CIMS) to better share program data and eliminate duplicate reporting by producers;
  - Implement a more effective data reconciliation process, as mandated by the Agricultural Risk Protection Act of 2000 (RMA and FSA);
  - Incorporate data mining techniques that detect data anomalies and prevent potential improper payments; and
  - Integrate interagency communication and coordination in their program activities to ensure that one agency's actions do not adversely affect another's programs.

Fiscal Year 2010 Accomplishments

- RMA, FSA, worked jointly on the CIMS project and accomplished the following:
- Met with Approved Insurance Providers (AIP) to review CIMS project, functions, and services in order to assess progress to date and future direction;
- Established requirements for RMA Reinsured Policy Acceptance Systems to use CIMS data for verification of new producers reported to RMA;
- Continued development of a streamlined acreage reporting process that will enable the producer to report common data once. RMA, FSA, NRCS and NASS will share the data to eliminate duplicate reporting, including the formation of a Department-wide acreage reporting effort sponsored by the OCIO and FFAS;
- Established discovery reports of possible differences in RMA and FSA business entities and comparable crop acreage;
- FSA provided CIMS access to more than 12,000 FSA county and state office workers, including use of CIMS to provide insurance production for use in calculating benefits in the ACRE program;
- Coordinated efforts between FSA and NRCS on participant eligibility including crop insurance guarantee information for use by the Supplemental Revenue Assistance Payments (SURE) program in calculating 2008 benefits;
- NRCS finalized the Conservation Stewardship Program (CSP) rule to include provisions that utilize the FSA farm record system to determine producer eligibility; and
- NRCS amended program policy to address resource concerns related to land with expiring Conservation Reserve Program (CRP) contracts.

Planned Actions for Fiscal Year 2011

- Implement future enhancements to the CIMS project;
- Improve access to data required for program benefits;
- Timely identify and discover possible data differences;
- Establish process and conditions for AIPs to report on data records differences;
- Establish a more efficient and faster producer service by allowing data to be loaded directly to AIPs systems;
- RMA will perform reviews to reconcile information utilized for FSA disaster programs where FSA county offices find instances in which RMA and FSA program data do not match;
- RMA will continue to research, develop and implement data mining techniques and implement them as appropriate;
- RMA and FSA will establish a memorandum of understanding for the SURE and Average Crop Revenue Election (ACRE) disaster programs outlying interaction between the two agencies concerning these programs;
- Continue to analyze crop reporting data recommendations from the RMA/FSA working group;
- Establish a memorandum of understanding between FSA and RMA for the SURE and ACRE disaster programs outlining interaction between the two Agencies concerning these programs; and
- NRCS will continue to coordinate issues and opportunities common to the conservation agencies and related to program financial assistance eligibility, the Service Center Information Management System and the Federal Financial Accountability and Transparency Act.

Inspection of Agricultural Commodities: Challenge #1. Animal and Plant Health Inspection Service (APHIS)

- Develop and provide to the Department of Homeland Security's U.S. Customs and Border Protection (CBP), a system of risk assessment for rail cargo so that the degree of risk can be determined.

Planned Actions for Fiscal Year 2011

- Coordinate with CBP on the establishment of the railway assessment project; and
- Collect data and perform risk assessment.

National Residue Program for Cattle: Challenge #1. Food Safety and Inspection Service (FSIS)

- Improve coordination among Federal agencies to prevent residues from entering the food supply – build a consensus with the Food and Drug Administration (FDA) and the Environmental Protection Agency (EPA).

Fiscal Year 2010 Accomplishments

- Held a chemical residues summit with representatives from USDA, FDA, and EPA, to coordinate chemical residue strategy.

Planned Actions for Fiscal Year 2011

- Provide proposals to FDA and EPA to:
  - Update the memorandum of understanding that established the Surveillance Advisory Team (SAT) and Interagency Residue Control Group (IRCG);
  - Draft a charter governing SAT and IRCG operations;
  - Develop a process for elevating issues identified by SAT and IRCG to executive-level officials for appropriate action;
  - Develop plans to ensure the National Residue Program has the resources needed to test for substances identified as high-risk;
  - Develop plans through SAT for periodically reviewing FSIS' sampling methods;
  - Develop a plan to establish policies for handling hazardous substances with no tolerances; and
  - Work with FDA to develop a process for expedited approval of new testing methodologies.

2) Implementation of Strong, Integrated Internal Control Systems Still Needed. Rural Housing Service (RHS)

- Pursue computer matching agreements with other agencies that provide disaster response and relief; and
- Develop procedures to monitor and control assistance in response to disasters.

Fiscal Year 2010 Accomplishments

- Issued revised disaster procedures to field offices to monitor the provision of housing assistance;
- Established internal controls to prevent duplicative assistance;
- Worked with organizations and impacted communities to ensure disaster supplemental appropriations are made available and used in areas affected by the disaster;
- Developed a Data Check Query Tool, within the Single Family Housing Direct Program, that provides users with an automated method to ensure application data was entered accurately into the Dedicated Loan Origination System;
- Provided training to the field staff on identifying and correcting errors before loans are obligated; and
- Revised procedures for monitoring the delinquency rates for Section 502 direct loans.

Planned Actions for Fiscal Year 2011

- Coordinate with other federal agencies to include Federal Emergency Management Agency and Small Business Administration to share benefit information on who has applied for or received disaster assistance to avoid/minimize the potential for duplicate benefits;
- Provide staff training, as needed; on (1) How delivering disaster assistance differs from regular program assistance and (2) Checking for duplicate benefits from other sources; and
- Perform additional enhancements to the automated system based on any agreements entered into with any other government agencies.

- Strengthen quality control and perform required reconciliation of producer/policyholder data in the Federal Crop Insurance Program (RMA)

- Continue efforts to establish a consistent and comprehensive review process to be used by all reinsured companies;
- Implement a system to evaluate the overall effectiveness and reliability of quality control reviews performed by companies;
- Develop a comprehensive, systematic, and well-defined strategy for its compliance-related efforts, to include the organizational structure needed to support the strategy;
- Conduct and document an overall risk assessment of program operations to identify major program vulnerabilities and focus, coordinate, and prioritize resources on high-risk areas; and
- Ensure that AIPs follow RMA's policies and procedures while underwriting nursery crop insurance policies, adjusting resulting losses, and reporting loss data to RMA.

Fiscal Year 2010 Accomplishments

- Issued a new Standard Reinsurance Agreement for crop year 2011 including a revised Appendix IV Quality Assurance and Integrity document that establishes a consistent and comprehensive review process to be used by all reinsured companies;
- Completed National Program Operations Reviews on five AIPs' operations to determine their compliance with quality control guidelines listed in the Standard Reinsurance Agreement and associated Appendix IV;
- RMA expanded its strategic data acquisition and analysis efforts by incorporating additional remote sensing and geospatial analyses to its data warehousing and data mining initiative, and increased the application of these data and analysis tools to include underwriting and program integrity issues throughout the crop insurance program; and
- RMA performed spot checks on selected nursery policies to determine Approved Insurance Providers compliance with the Nursery Crop Provisions, Special Provisions of Insurance, and all nursery procedures including the Nursery Underwriting Guide, and the Nursery Loss Adjustment Standards Handbook.

Planned Actions for Fiscal Year 2011

- Conduct National Program Operations Reviews on six AIP operations to determine their compliance with quality control guidelines listed in the Standard Reinsurance Agreement and associated Appendix IV; and
- Revise the "RMA Strategic Plan" to incorporate a well defined strategy for its compliance related efforts.

- Improve verification under the Group Risk Plan (GRP) and Group Risk Income Protection programs (GRIP). (RMA)

- Notify AIPs in writing that they are required to physically verify the crops they have insured under GRP/GRIP as part of the acreage report field reviews.

Fiscal Year 2010 Accomplishments

- As required in OIG Audit 05601-14-Te, "Group Risk Crop Insurance," RMA completed actions to formalize the reporting and analysis of Approve Insurance Providers required acreage field reviews for GRP/GRIP policies.

- Prepare complete, accurate financial statements without extensive manual procedures and adjustments. (all agencies that prepare financial statements)

Fiscal Year 2010 Accomplishments

- FS:
  - Implemented stronger internal controls over interim financial reporting to identify trends, variances, or abnormal activity/transactions. Specifically:
    - Developed automated cash reconciliation tool that facilitates more timely resolution of funds balance variance and automatically produces cash summary reports;
    - Improved the work processes by eliminating 11 pages of FACTS II PRC Validation errors which increased the efficiency and productivity on FACTS II reporting and eliminated recurring year-end cash adjustments;
    - Created a trial balance tool that tracks the ARRA Funds and the top 5 treasury symbol activity;
    - Developed and implemented an internal control process to monitor SUSF activities to determine the impact on financial reporting and to identify aged transactions to be cleared;
    - Updated the FACTS I process to compare data on a monthly basis and improved the monitoring of the Unidentified Trading Partner Usage Code;
    - Developed general ledger activity and trend analysis reports to identify unusual and/or unexplained financial activity for use by Operational Branches in monitoring their respective account balances;
    - Created SF-133 automated tool to calculate data sets for adjustment review; and
    - Implemented stronger monitoring functions over financial reporting financial controls to supplement A-123 Appendix A testing. These functions are performed quarterly to form an independent basis for certification of financial statements.
- NRCS:
  - Developed business requirements and provided support to implement the successful resolution of financial audit findings on access controls for Fund Manager and ProTracts software access;
  - Obtained contractor support to conduct audit remediation services; conducted reviews in 18 States;
  - Issued interim policy via national instructions on reimbursable agreements, open obligations, accruals, capital leases, internal use software, and unfilled customer orders.

Planned Actions for Fiscal Year 2011

- FS:
  - Prepare for conversion to the new USDA financial systems (Financial Management Modernization Initiative);
  - Complete implementation of the new system for accepting credit cards for fees and services/products provided by the Agency throughout all 153 national forests;
  - Work with Federal Accounting Standards Advisory Board on developing clearer guidance regarding deferred maintenance reporting requirements; and
  - Institute rotational effectiveness of field operated internal controls over financial reporting.
- NRCS:
  - Strengthen separation of duties for cost share agreement management by implementation of nationally standardized permissions in ProTracts;
  - Continue contractor support services including, performing additional state office site visits, finalizing corrective actions of audit issues, and training for new policies and procedures;
  - Complete managerial cost accounting business requirements, model design, and Statement of Net Costs methodology to ensure proper presentation of the Statement of Net Costs;
  - Prepare for conversion to the USDA Financial Management Modernization Initiative financial system;
  - Issue financial policies and procedures; and
  - Complete comprehensive training for financial and non-financial employees at all organizations levels.

- Improve Forest Service (FS) and NRCS internal controls and management accountability in order to effectively manage resources, measure progress towards goals and objectives, and accurately report accomplishments.

Fiscal Year 2010 Accomplishments

- FS:
  - Closed significant programmatic audit recommendations for 78 audit recommendations from 20 OIG audits. Specifically:
    - Developed new databases to improve tracking and monitoring of Emergency Equipment Rental Agreements (EERAs);
    - Provided new guidance to line officers when conducting fire investigations;
    - Improved Partnership Program implementation and oversight;
    - Provided direction to Firefighting Associations to restrict privileges to create and modify electronic training records;
    - Implement actions to assure all aircraft leased for firefighting meet the airworthiness standards and appropriate maintenance and inspection programs;
    - Ensured all Regions using alternate appraisal methods have calculation models that are consistent with FS' Timber Sale Preparation Handbook;
    - Twenty-five of the outstanding financial statement audit findings for previous years were closed in FY 2010. No material weaknesses identified in the financial statement audit for third consecutive year;
    - Implementing new system throughout the Agency to allow customers to use credit cards in order to streamline collection activities and reduce risk;
    - Implemented improved reporting and monitoring over Agency travel;
    - Implemented additional assessments over critical program management functions in areas such as ARRA program of work, grant management;
    - Instituted stronger programmatic controls for deferred maintenance and environmental disposal liabilities;
    - Conducted assessments of cash management functions at all FS operated Job Corp Centers;
    - Created database to trend unliquidated obligations certification, assess quality of certification, and provide feedback to regional offices. Auditors reduced the FS lack of monitoring over Unliquidated Obligations issue to a control deficiency and maintained that through FY 2010; and
    - Maintained robust and effective information security program. Continued progress in the reduction of significance of audit issues and maintained no material weakness in this area.
- NRCS:
  - Released the Conservation Effects Assessment Project (CEAP) report for cropland on the Upper Mississippi River Basin. The release of this report included a thorough technical review of processes which were then established for future reports on cropland; and
  - Implemented software controls to manage the statutory direct and indirect annual payment limitation rules for two Conservation Security Program signup periods.

Planned Actions for Fiscal Year 2011

- FS:
  - Conduct evaluation of grant management function to identify opportunities to improve overall compliance and effectiveness of the entire program;
  - Implement stronger cash management policy and procedures for Job Corp centers;
  - Finish implementation of credit card system;
  - Fully implement recommendations for ARRA efforts;
  - Implement statistical evaluation of unliquidated obligations balances; and
  - Implement corporate aggregation evaluation process that evaluates results of audit and assessments to identify systemic internal control weaknesses inherent in business processes that impact programmatic effectiveness.
- NRCS:
  - Release additional CEAP studies; Release final report for the Chesapeake Bay crop and pastureland study. With these studies, NRCS will be able to assess the outcome of its programs and use the reports to facilitate decisions on the most effective future programmatic investments;
  - Implement corrective actions on findings from the Conservation Security Program review prior to making 2010 payments; and
  - Release a revised Conservation Programs Manual and train all office staff.

- Strengthen oversight of the National Organic Program (NOP). (Agricultural Marketing Service)

Fiscal Year 2010 Accomplishments

- Worked in partnership with the Office of General Counsel to pursue enforcement actions;
- Developed an enforcement policy that specifies when civil penalties or other enforcement actions are warranted;
- Implemented policy and procedures for follow up monitoring of compliance with NOP enforcement actions, and increased timeliness and efficiency in complaint handling;
- Provided guidance on NOP reviews and audits;
- Renewed the status of California as a state organic program;
- Initiated development of the NOP Program Handbook;
- Implemented a document control policy; and
- Revised the NOP Quality Manual to include accreditation procedures.

Planned Actions for Fiscal Year 2011

- Establish guidelines to require certifiers to conduct periodic residue testing; and
- Issue an amendment to remove the Federal Advisory Committee Act requirements from the NOP regulations.

3) Continuing Improvements Needed in Information Technology (IT) Security. (Office of the Chief Information Officer and agency level IT managers)

- Emphasize security program planning and management oversight and monitoring.

Fiscal Year 2010 Accomplishments

- Implemented four time-phased strategic improvement plans, the “Cyber and Privacy Policy and Oversight (CPPO) 100-Day Plan,” “Getting to Federal Information Security Management Act (FISMA) Green Plan,” the Agriculture Security Operations Center 36-month "Get Healthy" plan and the OIG's “Get Healthy - Remediation of FISMA Weaknesses Plan,” to systematically mitigate identified IT risks and improve the USDA Security posture;
- Launched the Certification and Accreditation Center of Excellence to ensure compliance with OMB Circular A-130 Appendix III and implemented Department-wide best practices in system authorizations, Cyber Security Assessment and Management (CSAM) utilization, Plans of Action and Milestones (POA&M) management, and risk management strategies;
- Completed Phase 1 of the CSAM Remediation effort to improve the consistency and quality of the C&A/system authorization data points, reporting and tracking of system authorizations, and risk management;
- Hosted the USDA Cyber Security Summit and Department-wide “live” Information Security Awareness and Specialized Security training sessions to improve cyber security education and awareness and provide specialized training Department-wide;
- Drafted the Governance, Risk, and Compliance (GRC) Strategic Plan to focus on the strategic and technical aspects of the information security program. The Office of the Chief Information Officer’s (OCIO) GRC Strategic Plan emphasizes using the Risk Management Framework to mitigate vulnerabilities with the highest overall risk to the department;
- Worked diligently with USDA’s agencies to promote and collaborate with the Cyber Security Plans and to validate and ensure consistency of data in CSAM to improve the management of IT system risks;
- Launched the Agriculture Security Operations Center (ASOC) to improve the USDA security posture and institute operational best practices; and
- Continued using the monthly FISMA program compliance scorecard to monitor agency FISMA compliance including Plans of Action and Milestones (POA&Ms), Whole Disk Encryption deployment, and Configuration Management to mitigate identified system risks.

Planned Actions for Fiscal Year 2011

- Continue implementation of “Getting to FISMA Green” and OIG “Get Healthy” Plans to systematically mitigate identified risks;
- Continue leveraging CSAM, security metrics, program reviews, and the monthly FISMA program compliance scorecard to manage IT security program compliance and oversight;
- Continue deployment of Risk Management Framework initiative and implement CSAM Version 3.0 to leverage CSAM’s continuous monitoring capabilities across the Department;
- Continue deployment of ASOC and related program initiatives; and
- Continue Department-wide Cyber Security Awareness and Education efforts to increase end-user awareness of cyber security best practices.

- Establish an internal control program throughout the systems’ life cycle.

Fiscal Year 2010 Accomplishments

- Reviewed and revised Cyber Security Departmental Regulations as needed to maintain concurrency with National Institute of Standards and Technology (NIST) and other program requirements;
- Staffed critical positions to ensure compliance with incident handling and response requirements and improve the security management operations;

- Defined operational metrics for key security initiatives, and for endpoint health (via BigFix™);
- Established Departmental bi-weekly meetings to discuss issues covering all aspects of NIST Security Policy 800-53 compliance and Departmental IT Security policies;

- Expanded the CSAM Dashboard to improve system authorization reporting, security control tracking and management and continuous monitoring functionality; and
- Conducted annual reviews on: USDA Cyber Security Policies, Certification and Accreditation (C&A) documentation, agency security plans (for systems not undergoing Certification & Accreditation), Contingency Plan test plans and test reports, outstanding POA&Ms, security controls assessments, security awareness training, IT systems inventories and Acquisition Approval Requests.

Planned Actions for Fiscal Year 2011

- Continue using CSAM to implement Continuous Monitoring and automate the Concurrency Review process;
- Develop dashboard and supporting analytics to monitor and assess security operational metrics; and
- Continue using Security Metrics and agency program reviews to measure agency Security Program compliance and maturity.

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

Fiscal Year 2010 Accomplishments

- Established C&A Center of Excellence to provide agencies with operational support and tools for the USDA C&A process, including the conduct of concurrency reviews, the development and management of POA&Ms, the use of CSAM tool, to ensure that USDA complies with NIST, FISMA, OMB, and USDA security polices and requirements;
- Began 14 and completed 10 assessments of the security practices within their IT operations programs;
- Continued reviewing selected POA&M closure documentation to validate/verify correction actions; and
- Continued C&A concurrency review program.

Planned Actions for Fiscal Year 2011

- Continue implementation of the Risk Management Framework and continuous monitoring initiatives;
- Begin remaining agencies' IT operational assessments, to complete baseline of entire department by end of FY; follow up with 2010 assessments to review progress on programmatic developmental milestones.

- Remediate IT Material Weakness relating to: Logical and Physical Access Controls, Disaster Recovery Planning, and Configuration Management

Fiscal Year 2010 Accomplishments

- Issued a memorandum directing compliance with Departmental Regulation 3505-003, Access Control Policy, and created program level POA&Ms as needed to address program risks;
- Developed tactical plan for monitoring monthly access control review efforts to ensure compliance with program goals;
- Integrated eAuthentication and LincPass cards to provide two-factor authentication to all eAuthentication-protected applications; and
- USDA's 4 largest facilities that have over 1000 users (South Building, Riverdale, the Beltsville Agriculture Research Center, and the Kansas City Commodity Office) have personal identity verification card readers that meet the criteria put forward by Homeland Security Presidential Directive 12: Policy for a Common Identification Standard for Federal Employees and Contractors;
- Validated agency change management processes during C&A concurrency reviews; and
- Deployed the BigFix™ end point monitoring tool to over 130,000 endpoints Department-wide; began awareness campaign with agency CIO's focusing on FDCC compliance, and obsolete/high risk commercial software deployment;
- Verified submission of agency continuity of operations/disaster recovery plans in CSAM; and
- Verified continuity of operations plans annual testing.

Planned Actions for Fiscal Year 2011

- Continue monitoring agency compliance with access control policies;
- Develop the Department-wide Privilege Management Plan;
- Implement Digital Signature and Encryption Plans; and
- Complete the Identity Credential and Access Management technical infrastructure.
- Continue program oversight activities focusing on change/configuration and patch management.
- Expand continuous monitoring data awareness campaign to encompass OS patching, IPv6, critical trends, and the transition from informational to actionable reporting via BigFix™;
- Continue Departmental initiatives to establish and fund alternate 'hot sites' for Service Center Agencies; and
- Continue USDA training and oversight activities to ensure effective Continuity of Operations for all systems.

4) Departmental Efforts and Initiatives in Homeland Security Need To Be Maintained

- Implement commodity inventory systems that provide critical homeland security features. (FSA)

Planned Actions for Fiscal Year 2011

Continue implementation of the Web-based Supply Chain Management (WBSCM) system to be used by the Agricultural Marketing Service, FSA, the Food and Nutrition Service, Foreign Agricultural Service (FAS) and the U.S. Agency for International Development;

- Begin user security role testing within the implementation phase of the WBSCM. Completed user training and data management activities for WBSCM;
- Continue WBSCM security testing and begin communication with external stakeholders; and
- Define validation criteria and perform validation of Transactional Data Staging Database.

Agriculture Quarantine and Inspection Activities. (APHIS)

- Develop the necessary processes and procedures to assess inspection effectiveness;
- Identify major risks posed by foreign pests and diseases at ports of entry; and
- Ensure that staffing levels at ports are sufficient to meet risks.

Fiscal Year 2010 Accomplishments

- Held quarterly meetings to review data quality and performance measures; and
- Completed reviews at six ports in Texas, New Jersey, Arizona, Illinois, Florida, and Freeport/Nassau Bahamas.

Planned Actions for Fiscal Year 2011

- Use the current staffing model that does a good job of predicting USDA's need for addressing agricultural risk at ports. APHIS will coordinate its staffing model with CBP to ensure it meets CBP staffing requirements; and
- Participate in a Trend Analysis Working Group that will analyze and predict the highest risk areas in cargo pathways.

Avian Influenza Surveillance Activities. (APHIS)

- Develop a Memorandum of Understanding with the U.S. Department of Health and Human Services that describes coordination efforts in the event of a Presidential emergency; and
- Consult with other Federal agencies and the poultry industry to identify the capability needed to respond to a probable scenario for a highly pathogenic avian influenza (HPAI) outbreak.

Fiscal Year 2010 Accomplishments

- Addressed quarantine and movement control issues for non-infected egg production in the event of a HPAI outbreak;
- Established a cooperative agreement with Texas A&M University to develop a preparedness and response emergency management dashboard system; and
- Established a cooperative agreement with the California Department of Food and Agriculture for further developing the California Animal Health Emergency System, to provide an information system of critical tasks and activities for responders in an outbreak.

Planned Actions for Fiscal Year 2011

- USDA (APHIS) and the U.S. Department of Homeland Security (DHS) will conduct a test response to a declared emergency requiring support from DHS' Federal Emergency Management Agency;
- Formalize an agreement with DHS that clarifies and defines each department's roles and responsibilities in the event of a USDA declared emergency, Presidential declared emergency, or major disaster; and
- Continue to work with DHS to identify the best interagency mechanism to formalize relationship within the context of the National Response Framework.

Importation and Movement of Live Animals. (APHIS)

- Provide procedures and implementation date for entering and analyzing instances of problems through its live animal tracking information system;
- Develop an automated system to track problems with imported animals;
- Provide procedures describing coordination efforts with CBP officials at the northern border to ensure that all animal shipments are properly inspected;
- Provide procedures for monitoring and reconciling imported cattle, the disease risk analysis for restricted imported swine, and the import protocol for cattle imported from Mexico;
- Provide procedures for analyzing rejected animals at the Mexican border; and
- Provide instructions regarding the inventory of USDA seals, and a summary of seal inventory conducted in 2009.

Fiscal Year 2010 Accomplishments

- Revised and implemented Veterinary Services Memorandum No. 592.122, "Inventory, Use and Control of Animal and Plant Health Inspection Service Seals by Veterinary Services Personnel"; and
- Completed deployment of the Veterinary Services Process Streamlining – Animal Import IT application (VSPS-AI) and made available to all US ports-of-entry where USDA live animal inspection services are provided.

Planned Actions for Fiscal Year 2011

- Develop procedures for entering and analyzing instances of non-compliance and the actual date of the Live Animal Imports Module (LAIM) is fully implemented at all ports of entry;
- Develop a Standard Operating Procedure that describes how USDA and CBP will coordinate efforts at the northern border of ports of entry;
- Develop a procedure for monitoring and reconciling imported cattle, and a copy of the disease risk analysis performed on restricted imported swine; and
- Develop procedures for entering and analyzing rejections at the border of Mexico and the actual date of LAIM system is fully implemented at

all ports of entry on the U.S. border with Mexico.

5) Material Weaknesses Continue to Persist in Civil Rights Control Structure and Environment. (Office of the Assistant Secretary for Civil Rights)

- Develop a plan to process employment complaints timely and effectively in collaboration with USDA agencies; and
- Implement a monitoring framework to track the processing of complaints so that the agency can intervene when timeframes are not being met.

Fiscal Year 2010 Accomplishments

- Revised Standard Operating Procedures to incorporate monitoring and measures to intervene when timeframes are not being met;
- Established timeframes for the intake process so it not will exceed the deadline for completion of the formal complaint process; and
- Implemented controls to ensure timely processing of the Final Agency Decision (FAD) report. The Director, Office of Adjudication is provided with a weekly FAD report for a second level of review and monitoring.

6) USDA Needs To Develop a Proactive, Integrated Strategy To Help American Producers To Meet the Global Trade Challenge. (FAS and APHIS)

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

Fiscal Year 2010 Accomplishments

- Obtained certification and accreditation on the Biotechnology Integrated Database System and written certification that the ePermits tracking system is fully deployed;
- Developed a revised regulation on the required field data reports and notices for all permits and notifications;
- Implemented procedures for processing missing/late progress report;
- Developed procedures for the Civil Penalty Action Team; and
- Established guidance for establishing and implementing timeframes for devitalization of genetically engineered crops.

Planned Actions for Fiscal Year 2011

- Develop guidance to better manage Genetically Engineered (GE) Organism Field Releases; and
- Revise regulations on the location of planted GE field test sites.

- Develop a global market strategy.

Fiscal Year 2010 Accomplishments

- Developed a Global Market Strategy in coordination with the USDA Intra-Departmental Coordination Committee on International Affairs and consultation with Congress; and
- Initiated periodic representational events with agricultural contacts.

Planned Actions for Fiscal Year 2011

- Continue to implement the Global Market Strategy and refine as needed; and
- Continue to initiate periodic representational events with agricultural contacts.

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

- Work with other land management agencies and State and local governments to conduct hazardous fuels reduction projects in those areas where they will have the greatest impact on reducing risk ;
- Work with Congress and other land management agencies to find ways to convince State and local governments to enact and enforce fire-wise building and zoning codes in areas threatened by wildland fire ;
- Improve its internal controls over wildland fire expenditures and the delivery of systems to help managers improve cost-containment decisions ; and
- Ensure human and physical resources to effectively address the changing environment of forest health and the expanding wildland urban interface (WUI).

Fiscal Year 2010 Accomplishments

- Allocated resources to address the changing environment of forest health and the expanding WUI;
- Continued to conduct large fire cost review and implement corrective actions, as applicable;
- Partnered with states and counties to develop and deliver fire prevention ordinances to use in planning and zoning in WUI areas;
- Participated in meetings held by the National Association of State Foresters; and
- Fully implemented the Wildland Fire Decision Support System that assists fire managers and analyst in making strategic and tactical decisions and introduces economic principals into the fire decision process.

Planned Actions for Fiscal Year 2011

- Issue guidance for monitoring the effectiveness of hazardous fuel treatments and restoration projects;
- Continue to develop tools for the Regions to use in assessing and managing wildfire risk;
- Continue to work with State, local and tribal governments and other land management agencies to encourage the use of community programs, such as Firewise and Ready, Set, GO!, to better protect people and communities threatened by wildland fire;
- Work with other land management agencies and State and local governments to conduct hazardous fuels reduction projects in areas with the greatest impact of reducing risk;

- Direct human and physical resources to address the changing environment of forest health and the expanding WUI; and
- Develop and implement the Cohesive Wildland Fire Management Strategy.

8) Improved Controls Needed for Food Safety Inspection Systems.

- Complete corrective actions on prior recommendations.

Fiscal Year 2010 Accomplishments

- Responded to ongoing audits and completed final actions needed to reduce the backlog of outstanding “open” recommendations. FSIS closed 29 recommendations increasing the percentage of recommendations issued since 2000 that are closed to 87 percent.
- Continued achievement of management decision to meet OIG deadlines; and
- Issued reports to FSIS programs on open audit recommendations which has resulted in more coordinated and efficient reports to complete the final actions needed for recommendation closure.

Planned Actions for Fiscal Year 2011

- Continue to reduce the backlog of outstanding “open” recommendations, and use the audit recommendation tracking system to keep management apprised of “open” recommendations.

- Develop a time-phased plan to complete assessments of the food safety system control plans developed by USDA-inspected facilities and assessments of those facilities’ production processes, including a review program that includes periodic reassessment.

Fiscal Year 2010 Accomplishments

- Performed Food Safety Assessments (FSAs) at establishments responsible for the annual production of approximately 95 percent of meat and poultry products;
- Conducted a performance and functional testing of the Public Health Inspection System (PHIS) to ensure the system operates as intended; and
- Issued a technical report outlining the FSA prioritization criteria and an FSIS Directive on FSA scheduling and prioritization.

Planned Actions for Fiscal Year 2011

- Implement and complete user acceptance testing of PHIS; and
- Test and implement the electronic FSA system in PHIS, which will include date “flags” to be used in scheduling FSAs.

- Improve the accuracy of data available in the systems.

Fiscal Year 2010 Accomplishments

- Completed development of PHIS features, to better ensure the accuracy of compliance and other data; and
- Completed an analysis of humane handling noncompliance rates at dairy cow establishments compared to establishments that slaughter other adult cattle to determine whether more frequent humane handling reviews are needed.

Planned Actions for Fiscal Year 2011

- Complete performance and functional testing of PHIS during user acceptance testing;
- Implement PHIS training for in-plant inspection personnel nationwide;
- Continue programs to improve data quality, analysis, and distribution;
- Develop Directives, Notices, and related training that emphasizes the development of data-driven inspection; and
- Improve access to AssuranceNet to help Districts meet in-Plant Performance System review requirements.

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

Fiscal Year 2010 Accomplishments

- Continued to hire Consumer Safety Inspectors and Food Inspectors with various incentives including bonuses, superior qualification appointments, and paying travel and transportation expenses;
- Conducted surveys to verify that inspectors are performing assigned duties;
- Utilized a structured on-the-job training program for Food Inspectors to reinforce concepts covered in classroom training; and
- Reviewed training reports to ensure appropriate personnel receive needed training.

Planned Actions for Fiscal Year 2011

- Complete an evaluation of the new circuit maintenance guidelines;
- Establish procedures and policies to ensure newly hired mission critical personnel receive training within 1 year of starting their position and that they recertify this training annually;
- Continue to offer volunteer training opportunities to veterinary students, and paid veterinary student programs to increase awareness and generate interest in veterinarian work at FSIS;
- Continue to train field veterinarians in Enforcement and Investigations Analysis Officer (EIAO) methodologies to conduct expanded critical public health assurance duties;
- Continue to offer a 9-week public health focused veterinary educational program for all new veterinary hires; and
- Continue to offer veterinarians opportunities for advancement as they follow diverse career pathways within FSIS.

9) Implementation of Renewable Energy Programs at USDA (Department-wide)

- Develop and implement a viable and comprehensive renewable energy strategy for USDA agencies and programs.

Fiscal Year 2010 Accomplishments

- The Energy Council Coordinating Committee (ECCC) drafted a mission and vision statement along with objectives for a proposed USDA Comprehensive Renewable Energy Strategic Plan (Plan);
- Prepared a Decision Memorandum to the Secretary on the development and deployment of the Renewable Energy Strategic Plan; and
- Vetted awards through the ECCC to avoid duplication of funding. USDA programs are currently being evaluated to determine what data is being provided to document the "actual" outcome vs. the "projected "outcome of funded projects.

Planned Actions for Fiscal Year 2011

- Prepare the strategic plan with a goal of having it in place by end of first quarter of FY 2011;
- Continue to evaluate potential awardees listing to assure no duplication is occurring;
- Complete the analysis of existing data to assure "actual "outcomes are being tracked.

10) Implementation of the American Recovery and Reinvestment Act (ARRA) of 2009 (all agencies that receive Recovery Act Funds)

- Provide timely and effective oversight of USDA Recovery Act monies and activities.
  - Implement proper controls and oversight to ensure accountability;
  - Distribute funding to participants that meet eligibility guidelines;
  - Validate that participants properly comply with program requirements; and
  - Ensure the program performance measures and accomplishments are fully supported.

Fiscal Year 2010 Accomplishments

- Established the Transparency and Accountability Reporting Division in the Office of the Chief Financial Officer to support the Department with timely and effective ARRA reporting and guidance to ensure greater transparency in Recovery Act implementation and delivery;
- Published departmental guidance on recipient reporting and trained agencies on the new guidance;
- Continued weekly Department of Agriculture Recovery Team (DART) meetings to provide forum for agencies to identify best practices, share lessons learned, and resolve implementation issues;
- Continued monitoring program eligibility;
- Conducted training via webinars to prepare recipients for their reporting responsibilities;
- FNS used ARRA funding to provide about $10.8 billion in additional Supplemental Nutrition Assistance Program (SNAP) benefits – about $890 million in additional benefits each month to help combat hunger and provide needed resources to communities. SNAP is now serving over 42 million low-income Americans each month;
- RD created web-based Dashboard to provide real-time ARRA statistics to identify low-performing program areas;
- RD created an ARRA project reporting database to ensure timely reporting of a project's progress;
- RD invested more than $120 million in ARRA projects benefitting tribes;
- Rural Business and Cooperative Service assisted rural small businesses with $1.5 billion in loan guarantees and grants;
- Rural Housing Service's (RHS) Community Facilities obligated $1 billion for essential rural facilities related to health care, public safety, education, public services, transportation, and cultural projects;
- Rural Utilities Service' (RUS) Broadband obligated $1.0 billion in projects to bring broadband service to rural areas;
- RUS' Water Programs obligated $2.8 billion to extend new or improved water service to 1.57 million rural customers;
- RHS' Single Family Homes Direct and Guaranteed Programs provided rural homeowners with more than $11.2 billion in financial assistance; and
- NRCS initiated Corrective Action Plans to resolve identified deficiencies in all states with Emergency Watershed Protection Program (EWPP) Floodplain Easements.

Planned Actions for Fiscal Year 2011

- Agencies will continue servicing loans and grants;
- Agencies and Department officials will continue monitoring recipient reporting to FederalReporting.gov;
- Agencies will continue to review all quarterly recipient reports and address any discrepancies;
- RD will track project performance and job verification;
- RD will participate in tribal conferences to provide additional guidance on recipient reporting;
- RD will extend terms and contract hires and temporary ARRA employees for one-year to assist in monitoring, auditing, generating special reports;
- FS will improve the ARRA contract and grant monitoring regarding payments by implementing corrective actions as recommended in the various FY 2010 OIG Fast Reports; and
- NRCS will conduct follow-up state visits to determine the effectiveness of new controls that have been implemented to prevent re-occurrence of deficiencies noted in previous studies related to ARRA, EWPP–Floodplain Easements.

Appendix B — Improper Payment and Recovery Auditing Details

Since 2000, agencies have reported efforts to reduce erroneous payments through the Office of Management and Budget's (OMB) Circular A-11, "Preparation, Submission, and Execution of the Budget." Under the Improper Payments Information Act (IPIA), executive agencies must identify any of its programs that may be susceptible to significant improper payments, estimate the annual amount of improper payments and submit those estimates to Congress. Certain agencies were required to conduct recovery auditing. Specifically, agencies entering into contracts worth more than $500 million in a fiscal year (FY) must execute a cost effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. On August 10, 2006, government-wide guidance was consolidated into OMB Circular A-123, "Management's Responsibility for Internal Control, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments." Under this guidance, the U.S. Department of Agriculture (USDA) has 5 programs required to report under Section 57 of OMB Circular A-11 and has identified an additional 11 programs at risk of significant improper payments through the risk assessment process.

Under the Improper Payments Information Act of 2002 (IPIA), executive agencies must identify programs susceptible to significant improper payments, estimate the annual amount of improper payments, and submit those estimates to Congress.

Accomplishments this year include:

- Measuring programs at risk of significant improper payments;
- Developing corrective action plans to reduce improper payments and establishing both reduction and recovery targets (where appropriate) for the programs at risk of significant improper payments;
- Complying with reporting standards; and
- Completing risk assessments for all low risk programs.

USDA's improper payment error rate of 5.37 percent for FY 2010 declined from 5.92 percent in FY 2009. Despite the drop, a $21.5 billion increase (30 percent) in high risk program outlays from FY 2009 to FY 2010 put USDA's estimated improper payments at $5 billion for FY 2010. This figure compares to $4.3 billion in FY 2009. The increase in outlays was largely attributable to the increase in demand for food and nutrition assistance due to the economic downturn. The FY 2010 results demonstrate that improper payment error rates are being reduced and progress is being made:

- Seven USDA high risk programs reported improper payment error rates below their FY 2009 error rate;
- Six USDA high risk programs, representing 61 percent of USDA's total high risk program outlays, reported error rates below their reduction targets in FY 2009. This number exceeded USDA's goal of achieving reduction targets for 50 percent or more of the Department's total high risk program outlays;
- Forest Service's (FS) Wildland Fire Suppression Management Program error rate of 0.00 percent was below its reduction target of 0.02 percent, and equal to its FY 2009 error rate;
- Food and Nutrition Service's (FNS) Supplemental Nutrition Assistance Program (SNAP) error rate of 4.36 percent was below its reduction target of 5.00 percent, and below its FY 2009 error rate of 5.01 percent. The SNAP error rate is a historic low for the program. This is the 6th year in a row that the SNAP error rate has been less than 6 percent;
- FNS' Child and Adult Care Food Program error rate of 0.99 percent was less than its reduction target of 1.46 percent and the FY 2009 error rate of 2.07 percent;
- RD's Rental Assistance Program error rate of 1.39 percent was less than its reduction target of 2.00 percent and its FY 2009 error rate of 2.06 percent;

- The Farm Service Agency's (FSA) Market Assistance Loan Program error rate of 0.81 percent was less than its reduction target of 1.50 percent and its FY 2009 error rate of 2.56 percent;
- FSA's Loan Deficiency Payments Program error rate of 0.44 percent was below its reduction target of 0.60 percent;
- FNS' National School Lunch Program (NSLP) error rate of 16.28 percent was below its FY 2009 error rate of 16.44 percent; however, this was above its reduction target of 15.60 percent;
- FNS' Women, Infants and Children Program error rate of 1.17 percent was below its FY 2009 error rate of 1.27 percent; however, this was above its reduction target of 0.80 percent; and
- FSA's Noninsured Assistance Program error rate of 11.65 percent was below its FY 2009 error rate of 14.18 percent, however, this was above its reduction target of 9.22 percent.

The root causes of improper payments are summarized into the error categories of verification, authentication, and administrative. Verification errors relate to verifying such recipient information as earnings, income, assets, work status, etc. Authentication errors relate to authenticating the accuracy of qualifying for program specific requirements, criteria or conditions. Administrative errors relate to the accuracy of the entry, classification, or processing of information associated with applications, supporting documents, or payments.

For FY 2010, the root causes of USDA improper payments were categorized as:

- Forty-nine percent attributable to verification error; and
- Fifty-one percent attributable to administrative error.

USDA establishes improper payment recovery targets for high risk programs, where appropriate, and actively collects recoveries.

Actions taken by USDA during FY 2010 include:

- Implemented Departmental High-Dollar Quarterly Report of improper payments identified in high-risk programs and actions taken by agencies to recover overpayments;
- Designated a Senate-confirmed appointee as the Accountable Official for meeting improper payment reduction targets and consolidating program integrity activities;
- Developed and provided additional error measurements with semi-annual reporting;
- Provided an Annual Accountable Official Report to the USDA Inspector General for the USDA high-priority programs (SNAP and NSLP);
- Provided Departmental improper payments information for the Government-wide PaymentAccuracy.gov Web site that includes key indicators and statistics by program;
- Completed risk assessments for 32 programs in FY 2010 as scheduled on a three year cycle. No new programs were declared high risk as a result of the risk assessments;
- Recovered $310 million in improper payments, exceeding the Departmental recovery target of $54 million;
- Analyzed requirements and impacts of S. 1508, Improper Payments Elimination and Recovery Act of 2010 and provided comments to OMB;
- Participated in OMB workgroups established under Executive Order (EO) 13520 "Reducing Improper Payments" providing research and recommendations to OMB on actions to aid Federal agencies in reducing improper payments; and
- Led the Executive Order (EO) 13520, "Reducing Improper Payments," Forensic Accounting and Auditing Workgroup. The workgroup submitted recommendations to OMB for utilizing forensic accounting and auditing techniques to prevent improper payments.

USDA's goal is to continue to achieve error reduction and recovery targets established for FY 2011. In addition to meeting the requirements of IPIA, the Department is developing plans to implement the new requirements from EO 13520, the Presidential Memorandum "Enhancing Payment Accuracy

Through a Do Not Pay List," the Presidential Memorandum "Finding and Recapturing Improper Payments," and the Improper Payments Elimination and Recovery Act (IPERA) of 2010.

USDA's actions planned for FY 2011 include:

- Develop a Departmental action plan outlining the requirements and actions necessary to implement IPERA, EO 13520 "Reducing Improper Payments", and the other new Government-wide requirements to reduce, eliminate and recovery improper payments;
- Develop and implement policies, controls, procedures and checklists at appropriate levels to reduce improper payments;
- Create aggressive correction plans that target the verification and administrative root causes of errors and address internal control issues for each program;
- Provide training to field personnel and cooperative partners that address specific issues found in internal controls, control procedures and the potential risks of noncompliance;
- Sustain accountability at all levels by incorporating the employee's individual results into their annual performance evaluations;
- Provide grants and technical assistance to State agencies aimed at simplifying the application and eligibility determination systems of SNAP;
- Provide Departmental criteria for statutory, technical and other functionality of the Government-wide "Do Not Pay List" Web site being developed to allow agencies to verify eligibility against multiple databases before grants, contract, benefit award and/or payments are issued;
- Issue a Departmental payment recapture/recovery auditing contract available for all Departmental programs to address IPERA requirements for identifying and recovering overpayments; and
- Participate in interagency workgroups to assist OMB in developing Government-wide guidance for implementing IPERA, EO 13521, and other initiatives to reduce improper payments and recover overpayments.

OMB provided a reporting template for IPIA in OMB Circular A-136, "Financial Reporting Requirements." The template requires responses to specific issues. USDA's response to these issues follows.

I. Describe your agency's risk assessments, performed subsequent to compiling your full program inventory. List the risk-susceptible programs identified through your risk assessments.

The Office of the Chief Financial Officer (OCFO) issued detailed guidance for the risk assessment process, including templates. OCFO also reviewed drafts. Programs with larger outlays were required to perform more detailed assessments than smaller programs. For USDA's largest programs, the risk assessment process required the following:

- Amount of improper payments needed to meet the reporting standards;
- Description of the program, including purpose and basic eligibility requirements;
- Definition of improper payments specific to the program;
- Program vulnerabilities linked to improper payments;
- Internal controls designed to offset the program vulnerabilities;
- Internal controls testing for selected programs;
- Listing of significant reviews and audits;
- Final determination of risk level;

- Planned future enhancements (optional); and
- Description of how improper payments are recovered (optional).

USDA has identified the following 16 programs as susceptible to significant improper payments.

Selection Methodology	Agency	Program
Section 57 of OMB Circular A-11	Farm Service Agency (FSA), Commodity Credit Corporation (CCC)	Marketing Assistance Loan Program (MAL)
	Food and Nutrition Service (FNS)	Supplemental Nutrition Assistance Program (SNAP)
		National School Lunch Program (NSLP)
		School Breakfast Programs (SBP)
		Special Supplemental Nutrition Program for Woman, Infants and Children (WIC)
USDA Identified as Susceptible to Significant Improper Payments	FSA, CCC	Milk Income Loss Contract (MILC) Program
		Loan Deficiency Payments (LDP)
		Direct and Counter-Cyclical Payments (LCP)
		Conservation Reserve Program (CRP)
		Miscellaneous Disaster Programs (MDP)
		Noninsured Assistance Program (NAP)
	Food Nutrition Service (FNS)	Child and Adult Care Food Program (CACFP)
	Forest Service (FS)	Wildland Fire Suppression Management (WFSM)
	Rural Development (RD)	Rental Assistance Program (RAP)
	Risk Management Agency (RMA)	Federal Crop Insurance Corporation (FCIC) Program Fund
	Natural Resources Conservation Service (NRCS)	Farm Security and Rural Investment Act Programs (FSRIP)

II. Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.

Agency	Program	Sampling Process
FNS	Supplemental Nutrition Assistance Program (SNAP)	**Statistical Sampling** Each month, States select a statistically random sample of cases from a universe of all households receiving SNAP benefits for that given month. Most States draw the samples using a constant sampling interval. There are some States which employ simple random and/or stratified sampling techniques. Required annual sample sizes range from 300 for State agencies with small SNAP populations to more than 1,000 for larger States. The average is approximately 950 per State. States are required to complete at least 98 percent of selected cases deemed to be part of the desired SNAP universe. Federal sub-samples are selected systematically by FNS from each State's completed reviews. These sample sizes range from 150 to 400 per State. **Error Rate Calculation** The National payment error rate is calculated using a multi-step process: • Each State agency conducts quality control (QC) reviews of the monthly sample of cases. The QC review measures the accuracy of eligibility and benefit determinations for each sampled case against SNAP standards. State agencies are required to report to FNS the findings for each case selected for review. • FNS then sub-samples completed State QC reviews and re-reviews selected individual case findings for accuracy. Based on this sub-sample, FNS determines each State agency's official error rate using a regression formula. • The national payment error rate then is computed by averaging the error rate of the active cases for each State weighted by the amount of issuance in the State.

Agency	Program	Sampling Process
FNS	National School Lunch Program (NSLP)	• USDA conducts studies approximately every 5 years to assess the level of error in program payments because detailed information on the circumstances of the NSLP and SBP participating households are not collected administratively. The November 2007 – NSLP/SBP Access, Participation, Eligibility and Certification (APEC) Study – makes use of a national probability sample of school food authorities (SFAs), schools, certified students and their households, and households that applied and were denied for program benefits in School Year 2005-06. • A stratified random sample of 78 unique public SFAs was selected in the first stage of sampling. Stratification variables included geographic region, prevalence of schools having a SBP and those using Provision 2/3, and a poverty indicator. For SFAs that do not have Provision 2/3 schools, three schools, on average, were selected for inclusion in studying the second stage of sampling. Schools were stratified into two groups: 1) elementary schools and 2) middle and high schools. The school sample included both public and private schools. A total of 264 schools participated in the study (216 non-Provision 2/3 schools, 24 Provision 2/3 schools in their base year, and 24 Provision 2/3 schools not in their base year). For the third stage of sampling, samples of households were selected in 240 of these schools to yield completed interviews for about 3,000 students certified for free and reduced-price meals, and 400 denied applicant households. • The sample of approved and denied applicant households was augmented by sampling of applications from Provision 2/3 schools in which household surveys were not conducted. Application reviews of about 6,800 students approved for free and reduced-price meals and more than 1,000 denied applicants were conducted to estimate the case error rate due to administrative error. • Data on counting and claiming errors were collected in all schools selected for application reviews. On randomly selected school days, field staff observed approximately 100 lunch transactions at each of the 245 schools participating in NSLP, as well as 50 breakfast transactions at each of the 218 schools participating in SBP. Cashier error was estimated using information from these meal transactions. Data on school-recorded daily meal totals across all points of sale, aggregated meal counts reported to the district, and total meals submitted to the State agency for reimbursement were examined to determine claiming errors. • To update the erroneous payment rate estimates in NSLP without having to conduct another full round of primary data collection, a series of econometric models were developed that captured the relationship between characteristics of the districts that participated in the APEC study, and their estimated rates of certification error. Estimated coefficients from these models were used in conjunction with updated values of district characteristics obtained from the School Food Authorities Verification Summary Reports to predict certification error. Certification error rates were then translated into amounts and rates of erroneous payments in each district. Aggregating the district level estimates produced a national measure of predicted erroneous payments.
FNS	School Breakfast Program (SBP)	The statistical sampling process for this program is similar to NSLP. See the NSLP description.
FNS	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	FNS plans to continue periodic examinations of WIC vendor and certification error. • Vendor Error — The 2005 vendor error study employed a nationally representative probability sample of WIC vendors. A two-stage clustered design was developed to facilitate over-sampling of WIC-only stores. Current lists of authorized WIC vendors were collected from the 45 States plus the District of Columbia that use retail vendors from delivery of benefits. These lists were used to establish the retail vendors for delivery of benefits and the national sample frame of vendors active during the study period. Geographic Information System software was used to form 365 primary sampling units (PSU) in contiguous counties. Most PSUs had at least 80 vendors. The study selected 100 PSUs using probability non-replacement sampling with probabilities proportional to the size of the PSU. About 16 vendors and 4 reserve vendors were selected from each of the 100 PSUs. The final sample size (unweighted) was 1,768 vendors. The study compared the purchase price paid by the compliance buyer with i) observed shelf prices, and ii) the purchase amount the vendor reported to the State to yield estimates of

Agency	Program	Sampling Process
		overcharge and undercharge.
		• **Certification Error** — The 1998 WIC Income Verification Study was designed to provide information on the characteristics of a nationally representative sample of WIC participants in the contiguous United States, certified for the program that spring. The sample was based on a multi-stage sample design, with 50 geographic PSUs selected at the first stage, 79 local WIC agencies selected at the second stage, and 178 WIC service sites selected at the third stage. WIC participants were randomly sampled for the study at the 178 WIC service sites as they appeared for WIC certification. In-person interviews were completed with 3,114 WIC participants at the 178 WIC service sites. The estimate of improper payments comes from a follow-up in-home survey conducted with approximately one out of every three persons selected for the in-person interviews. The in-home survey was designed to verify income information through review of household income documents. In-home interviews were completed with 931 respondents.
FNS	Child and Adult Care Food Program (CACFP)	The national estimate of erroneous payments for the sponsor error component is based on a nationally representative sample of sponsor files for 660 Family Day Care Homes (FDCH) in 60 distinct sponsors in 14 States. The tiering status of FDCHs was first verified by determining their school area eligibility (at least 50 percent of students were approved for free/reduced-price meals and Census Block Group area eligibility (at least 50 percent of children at or less than 185 percent of the Federal P=overty Guidelines)) for Tier I and Tier II status. A sponsor of an FDCH not verified through area eligibility was contacted to secure additional documentation in support of the FDCH's tiering status, such as income and categorical eligibility.
FSA/CCC	Marketing Assistance Loan Program (MAL)	• A statistical sample of high risk programs is conducted by the FSA County Office Review Program (CORP) under the direction of the Operations Review and Analysis Staff (ORAS). • Testing is conducted using statistically sound samples drawn from the total population of program payments made from September 2008 through August 2009. A professional statistician, under contract to FSA, is used to design the sampling approach, define the sample size, and identify the sample items. Sample size is chosen to achieve a 90 percent two-sided confidence level. • Once the universe of the program is determined for the target fiscal year, a stratified two-stage sampling approach is used. County offices (COFs) making payments for the target program are selected in the first stage and individual payments made or contracts reviewed by COFs are selected in the second stage. • That sample list of individual contracts or payments is provided to the members of the CORP staff covering the respective States. The CORP staff visits each of the COFs shown on the list and reviews the individual contracts or payments identified in the statistically sound sample. The CORP reviewers use a list of program division provided criteria that are drawn from legal and program administrative guidance. Findings of non-adherence to the criteria related to the individual contracts or payments in the sample will identify potential improper payments made. The results of that review are summarized and submitted to the CORP national office staff to be analyzed by the contractor statistician. That contractor determines the rate of improper payments based on the data provided by the CORP staff that visited the COFs and completed the actual review of documents.
FSA	Milk Income Loss Contract Program (MILC)	See the process described in the MAL discussion. The same process was used for this program.
FSA	Loan Deficiency Payments (LDP)	See the process described in the MAL discussion. The same process was used for this program.
FSA	Direct and Counter-Cyclical Payments (DCP)	See the process described in the MAL discussion. The same process was used for this program.
FSA	Conservation Reserve Program (CRP)	See the process described in the MAL discussion. The same process was used for this program.
FSA	Miscellaneous Disaster Programs (MDP)	See the process described in the MAL discussion. The same process was used for this program.
FSA	Noninsured Assistance Program (NAP)	See the process described in the MAL discussion. The same process was used for this program.

Agency	Program	Sampling Process
FS	Wildland Fire Suppression Management (WFSM)	WFSM employs monetary unit sampling. Transactions coded to the Wildland Fire Suppression Fund are systematically analyzed and reviewed. Two samples were selected by systematic random sampling with probability proportional to size (dollar amount). Sample size determination was based on total transaction amounts through 6/30/2009 for sample one. The second sample size determination was based on total transaction amounts from 7/01/2009 through 9/30/2009. Due to the seasonality of the final amounts, the first nine months were sampled as a higher dollar rate (conservative rate) than the last three months. The final three months were sampled at the dollar rate for the entire balance. To ensure the validity of the sample design, sample sizes, and measurement methodology, a professional statistician from the University of New Mexico was consulted. The sample was selected using a 90 percent confidence level, with a precision range of 2.5 percent. Software used for sample selection was SAS 9.2 for Windows.
RD	Rental Assistance Program (RAP)	RD reviewed the sampling plan developed by the U.S. Department of Housing and Urban Development for its studies. RD statisticians prepared a similar plan for this report. This report is based on a review of tenants receiving rental assistance (RA) during FY 2008. The sampling plan consisted of 666 RA payments from a universe of 3,411,380, or .02 percent. The methodology produced a sample with a 99-percent confidence level. This year, the audit unit from the Centralized Servicing Center (CSC) conducted the study rather than the RD field staff that were used in previous years. The study required CSC to evaluate tenant files and income calculations. The only parameter used to determine the eligible universe was the RA payment. No other data element, such as location, size of property, number of units, and availability of other rental assistance (such as Section 8) was a consideration. The statisticians were provided a data extract from the Multi-Family Housing Information System. The extract contained a list of all tenants receiving RA during FY 2008. The data included month of payment, project name, project identifier (case number/project number) and tenant name and unit number. From the data extract, the statisticians selected the sample by a systematic sample technique. Once the sample was identified, a letter was sent to the borrower/management agents that explained the process, provided the list of tenant payments to be reviewed, and provided a list of documents that needed to be provided to the Centralized Servicing Center (CSC) for review. The data received from the borrower/management agent were used to compare agency records. The study required CSC to complete the survey for the selected tenant payments. There was to be no substitution of the selected payment, and, if the management agent was unable to submit the file, the payment would be considered improper.
RMA	Federal Crop Insurance Corporation Program Fund (FCIC)	RMA completed the random 2006, 2007, and 2008 crop year indemnities to review during 2007, 2008, and 2009. For FY 2010 reporting, RMA sampled and reviewed the 2008 crop year, using those results to replace the 2006 crop year results. This process allowed RMA to maintain a running average error rate for the three most recent crop years. RMA will repeat this process for 3 years to compile random indemnity reviews, and build a database that will identify the RMA program-error rate and identify any discernable trends. Samples are drawn by the compliance staff. The staff oversees the compliance review database and data quality control. Limited resources make it impractical to conduct a statistically valid program review each year. Despite these limits, in combination with the National Operations Reviews conducted by RMA compliance personnel, these random reviews of paid indemnities should provide the program with sufficient data to establish an acceptable error rate for the purposes of the IPIA.
NRCS	Farm Security and Rural Investment Act programs (FSRIP)	NRCS determined the universe size of payments for all the programs by using all transactions for FY 2009 entered into the accounting system against general ledger account 4902 and Treasury Symbols 12_1004. Transaction codes were identified and extracted which represented payments against the individual program fund codes to create a universe of payments for each individual program. Based upon last year's results and conversations with the individual Program Managers, NRCS projected the anticipated rate of occurrence. This occurrence would be the error rate from the previous years' sampling, factoring in any substantial changes made which mitigates improper payment risk found in prior IPIA efforts, external, and internal audits or reviews. NRCS estimated the precision range, i.e., the upper and lower bounds around the estimated rate of occurrence as 5.00 percent (+/- 2.50 percent) based upon conversations with the program managers. While OMB guidance recommended a 90- percent confidence level, NRCS used a more rigorous confidence level of 95 percent for the sample since accounting and financial applications

Agency	Program	Sampling Process
		typically use that confidence level. Based upon the four variables above (universe size, anticipated occurrence rate, precision range, and confidence level), the agency calculated the necessary sample size. Using a random number generator, NRCS selected payments for the sample. For program payments made through ProTracts system, payment amounts were aggregated by payment document number. ProTracts produced a payment transaction for each component of a payment request. This resulted in testing of the entire payment instead of a portion and simplifies the research required. A complete copy of the contract file was requested from the field office. The field office was required to verify highly erodible land/wetland conservation compliance, and obtain adjusted gross income compliance documentation from the participant. Headquarters financial management (FMD) personnel audited the contract information against the program's business process using a standard template developed for each individual program. The template ensured consistency in the reviews, and incorporated tests for known causes of improper payments, issues identified by the program managers and internal controls implemented because of prior internal and external audits and reviews.

III. Describe the Corrective Action Plans for reducing the estimated rate of improper payments. Include in this discussion what is seen as the cause of errors and the corresponding steps necessary to prevent future occurrences. If efforts are already underway, and/or have been ongoing for some length of time, it is appropriate to include that information in this section.

Agency	Program	Corrective Actions Planned
FSA/CCC	Marketing Assistance Loan program (MAL)	MAL improper payments were primarily attributable to administrative errors. Causes of improper payments include: • An acceptable acreage report was not obtained; • All required signatures were not obtained on the storage note and security agreement before disbursement; and • Loan quantity amount was not supported by acceptable documentation. Actions taken or that will be taken to reduce the weaknesses identified are as follows: a. Broad Scope Actions Taken: • FSA has committed to reducing improper payments and program weaknesses that contribute to improper payments; • FSA has taken actions to correct its deficiencies in many areas, and incorporated the priority of reducing improper payments into its strategic planning documents; and • Compliance reviews and spot-checks are required to ensure the accuracy of payments and integrity of FSA programs. Annually, based on a statistical sampling method, producers nationwide are selected for compliance review and spot-check. COFs are required to complete spot-checks and reviews for the various programs and activities in which the selected producers participate for the year, and record the results of these reviews in the National Compliance Review database. This reporting mechanism allows the National office to monitor the overall integrity of each program being implemented. b. Actions Already Taken that Impact All Causes of Improper Payments Identified: • Trained field personnel on improper payments and educated them on the importance of control procedures as well as the potential risks of noncompliance. Training was delivered through various means including in person and via USDA's training tool, AgLearn, and is being followed up with communications and job aid to help facilitate compliance controls; • Integrated the employee's individual performance results related to reducing improper payments into his/her annual performance rating;

Agency	Program	Corrective Actions Planned
		• Utilized program specific checklists for COF employees to use before payment. County Executive Directors and District Directors review the completed checklists to help identify apparent internal control deficiencies and address additional training needs to reduce future errors; • Issued various National Notices and handbook amendments to State and county offices, providing them with instructions to properly disburse and process repayments related to MAL benefits; • Contacted State office (SO) managers where the majority of improper payments were identified, according to the statistical sample, to determine possible training and/or job aids the SO and COF staff may need to assist in facilitating compliance to controls; • Issued a notice for each program for the FY 2008 National CORP review of improper payments providing detailed findings discovered during the FY 2008 statistical sample, including established policy and procedure references for each finding; • Issued various national notices to SOs and COFs re-enforcing current program policies and procedures; and • Conducted a 2008 National Farm Bill training conference that included a specific presentation pertained to necessary internal control procedures and action expected upon the issuance of national CORP review notices pertaining to improper payments. PowerPoint presentations of each of the respective training sessions were posted to the FSA Intranet for immediate reference for SOs and COFs to use in conducting subsequent training sessions for all the applicable FSA employees within a respective state. c. Actions That Will be Taken that Impact All Causes of Improper Payments Identified: • Provide a notice to SOs and COFs providing the detailed findings discovered during the FY 2010 program specific statistical sample including established policy and procedure references for each finding; • Reinforce current program policies regarding program compliance through the issuance of National notices and handbook amendments to SOs and COFs personnel; • Improve the quality of field guidance by implementing a process whereby program directives are vetted by at least six field office employees before directives are approved and issued Nation-wide; • Review existing policy and procedures to determine program compliance inefficiencies and eliminate inadequate program compliance controls; and • Contact State office managers where the majority of improper payments were identified during the 2010 IPIA reviews to facilitate necessary corrective actions in regard to training or clarifications regarding procedures and policies.
FNS	Supplemental Nutrition Assistance Program (SNAP)	SNAP improper payments were primarily attributable to administrative and verification errors. Causes of improper payments include: Improper payments occurred when a participating household is certified for too many or too few benefits compared to the level for which they are eligible. This can result from incomplete or inaccurate reporting of income and/or assets by participants at the time of certification. It also can occur from changes subsequent to certification or errors in determining eligibility or benefits by caseworkers. Eligibility worker delays in action or inaction taken on client reported changes also can cause of improper payments. An analysis of the FY 2009 completed statistical sample revealed that approximately 65.71 percent of all variances occurred before or at the most recent certification/recertification. Additionally, 69.40 percent of the errors were State agency caused. About half of the errors (54.60 percent) were income related and caused by client misreporting or the agency misapplying the reported income. Misreporting or misapplying deductions was the second largest source of errors at 27.75 percent. Steps that are (or will be) taken to address specific findings in the last statistical sample Program regulations require State agencies to analyze data to develop corrective action plans to reduce or eliminate program deficiencies. A State with a high error rate must develop a quality control (QC) corrective action plan to address deficiencies revealed through an analysis of its own QC data. A State with an excessive error rate will be required to invest a specified amount (depending on its error rate and size) designated specifically to correct and lower its error rate. The State also will face further fiscal penalties if it fails to lower its error rate in a future fiscal year.

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<tr><th>Agency</th><th>Program</th><th>Corrective Actions Planned</th></tr>
<tr><td></td><td></td><td>Steps that are (or will be) taken to improve the overall control environment and improper payments
FNS, through its regional offices, works directly with States to impart the importance of payment accuracy and correct payments to State leadership. The agency also helps those leaders develop effective corrective action strategies to reduce payment errors. Regional offices provide many forms of technical assistance to States, such as:
• Analyzing data;
• Reviewing and monitoring corrective action plans;
• Developing strategies for error reduction and corrective action;
• Participating on boards and in work groups; and
• Hosting, attending, and supporting payment accuracy conferences.
FNS administers a State Exchange Program that provides funds to States to facilitate travel for obtaining, observing, and sharing information on best practices, and effective techniques for error reduction. Coalitions have been formed among States to promote partnerships, information exchange and collaborative efforts. These efforts address mutual concerns and support development of effective corrective action.</td></tr>
<tr><td>FNS</td><td>National School Lunch Program (NSLP)</td><td>NSLP improper payments were primarily attributable to verification and administrative errors.
Causes of improper payments include:
• Benefit calculation error or duplicate payments;
• Lack of proper documentation or inadequate supporting documentation; and
• Fraud or misrepresentation by program participants or others.
FNS has worked closely with OMB, Congress, the States, schools, and advocacy partners for two decades to gain a better understanding of erroneous payments, and develop and implement initiatives to address them.
Strengthened the Certification Process through Legislative Program Reauthorization
FNS worked with Congress to develop the Child Nutrition and WIC Reauthorization Act of 2004 (CNR) to enact program changes that address school meals certification problems. CNR strengthened the certification process by:
• Requiring SNAP direct certification for free meals in all school districts, and continuing authority for optional direct certification using data from the Temporary Assistance for Needy Families, and the Food Distribution Program on Indian Reservations;
• Simplifying the certification process by requiring a single application for all eligible children in a household;
• Requiring eligibility determinations to be in effect for the entire school year;
• Modifying verification requirements, and adding authority for optional direct verification of children's eligibility;
• Requiring State agencies to conduct additional administrative reviews of school districts with higher rates of error;
• Requiring increased efforts to obtain household response to application verification requests; and
• Requiring districts with high rates of non-response to verification to target subsequent year verification activity toward error-prone applications.
FNS continues to fully implement all the CNR provisions designed to improve program accountability.
Improved State and Federal Oversight and Strengthen Program Integrity
FNS conducted the following to improve oversight and technical assistance:
• Required annual training for schools on certification and accountability issues;
• Secured funding from Congress in 2004 for FNS technical assistance to help State and local partners reduce administrative errors and improve program integrity;
• Provided ongoing guidance and training materials to State agencies to improve school monitorings;
• Issued a revised eligibility manual, which contains information on determining students' eligibility for free and reduced price meals under 7 Code of Federal Regulations Parts 210 and 220, the National School Lunch Program (NSLP), including after school snacks and commodity schools, and the School Breakfast Program (SBP);</td></tr>
</table>

Agency	Program	Corrective Actions Planned
		• Trained more than 500 State and federal reviewers on the Coordinated Review Effort (CRE) process and forms to ensure that performance standards related to meal counting and claiming and serving reimbursable meals are met. Also, the CRE Guidance, is being updated to include current procedures to be utilized during CRE Reviews. State agencies are implementing the CRE procedures that were identified during the training sessions; • Pursuant to the CNR, FNS released applications for the fourth round of Direct Certification/Verification grant funding in FY 2009. These grants are available to State agencies to assist in implementing mandatory direct certification, direct verification, and other provisions of CNR related to determining eligibility to receive benefits in NSLP and SBP. Child Nutrition and SNAP State agencies are eligible to apply for funds. A series of grants were awarded in FY 2006-09. CNR provided $8.3 million for this purpose. • FNS annually releases a solicitation for funding to State agencies for Administrative Reviews and Training grants. This funding is available to perform administrative reviews and training of selected local educational agencies identified by the States as having demonstrated a high level of, or high risk for, administrative error in the NSLP. A total of $4 million was set aside in FY 2005 and for each fiscal year thereafter. Additional Action Planned Planned efforts include: • Implementing improvements in data reporting systems, and have launched an improved we-based system for States to report the results of verification activity. We anticipate that this reporting mechanism will improve the accuracy and timeliness of this data. In addition, we have been actively emphasizing to States the importance of using this and other data sources, such as the CRE Data Report to identify and target corrective action; • Continue the APEC study every five years, which would enable FNS to estimate and measure changes in erroneous payments over time, and help inform FNS, Congress, the States, and advocacy partners on the development of additional guidance, training, and policy options; and • Implement an improved web-based system for States to report the results of verification activity annually. This report will improve the accuracy and timeliness of reporting and provide States with a way to identify and target corrective actions.
FNS	School Breakfast Program (SBP)	SBP improper payments were primarily attributable to authentication and administrative errors. The corrective actions planned for this program are similar to NSLP. See the NSLP description.
FNS	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	WIC improper payments were primarily attributable to verification errors. Causes of improper payments include: • Vendor overcharges and undercharges; and • Program participants were income ineligible. Actions to Reduce Improper Payments **Vendor Error:** The Child Nutrition Act was amended in 1996 to require the disqualification of WIC vendors who had been disqualified by SNAP. It also was amended in 1998 to require permanent disqualification of vendors who had been convicted of trafficking and illegal sales. The WIC/FSP Vendor Disqualification Final Rule implemented these requirements and also mandated three-year disqualifications for overcharging and charging for food not received. The WIC Food Delivery Final Rule mandated nationwide standards for vendor authorization, training, and monitoring. FNS will annually estimate and report improper payments to vendors based on information on vendor investigations routinely conducted by the State WIC Agencies and reported to FNS. • **Certification Error:** FNS plans to continue periodic examinations of certification error in the WIC Program. The Child Nutrition Act was amended in 1998 to require income documentation for WIC Program applicants in all States. The Final WIC Policy Memorandum #99-4, “Strengthening Integrity in the WIC Certification Process,” the WIC Certification Integrity Interim Rule, and the WIC Certification Integrity Final Rule implemented this requirement. The WIC Food Delivery Final Rule mandated 1-year disqualifications for the most serious participant violations, including dual participation and misrepresentation of income. The WIC Miscellaneous Final Rule required State agencies to prevent such conflicts of interest as clinic staff certifying themselves, close friends, or relatives, and also required State agencies to maintain information on participant and employee fraud and abuse. FNS plans to provide the results fo

<table>
<tr><th>Agency</th><th>Program</th><th>Corrective Actions Planned</th></tr>
<tr><td></td><td></td><td>the measurements of improper payments due to certification error for FY 2009 payments, with the initial improper payment amount and error rate available in March 2011.</td></tr>
<tr><td>FNS</td><td>Child and Adult Care Food Program (CACFP)</td><td>CACFP improper payments were primarily attributable to verification errors.
Causes of improper payments include:
• Family Day Care Homes (FDCH) error in reporting the number of meals eligible for reimbursement; and
• Sponsor error in determining a participating FDCH’s reimbursement tier.
Actions to Reduce Improper Payments
CACFP has three distinct parts: Child Care Centers, Adult Day Care Facilities, and Family Day Care Homes (FDCH). Overall program funding is provided to State agencies which provide funds to sponsoring organizations to pay for claims for reimbursable meals served at provider sites. Sites can be as large as an institution or as small as a household. Each part of CACFP has its own reimbursement structure.
Payments and claim information are transferred among FNS, State agencies, program sponsors, and program sites. Each such transaction represents a risk for improper payment. Because requirements vary significantly for each different type of program sponsor and site, a full and rigorous assessment of the rate of improper payments is extremely complex.
The original plan was to develop a program-wide study which would examine reimbursements for meals served and develop program error measurements that complied with the requirements of the IPIA. Because of the complexities of the program, FNS estimated that it would cost $20 million to measure improper payments at the precision required by IPIA. This amount has not been provided.
In lieu of funding for a program-wide measurement, FNS has identified the FDCH component of this program as potentially high risk. FDCHs participate in CACFP through public or private nonprofit sponsoring organizations. FDCH improper payments are most likely caused by sponsor error in determining a participating home’s reimbursement tier (tiering error) or by FDCH error in reporting the number of meals which are eligible for reimbursement (claiming error).
Two activities are underway which provide information on improper payments in the FDCH component of CACFP. A third activity was pilot tested during FY2007.
• Child Care Assessment Project (CCAP)—In the Spring of 2004, FNS began the CCAP. This project was designed to measure the effectiveness of efforts to improve the integrity of CACFP family day care homes and provide information from a broadly representative national sample of sponsors and providers. Over a four year period, FNS conducted comprehensive on-site assessments of a sample of participating family day care home sponsors. These assessments were designed to analyze the effectiveness of FNS regulatory and policy initiatives on program performance. They offered insights on the control points in the claiming and reimbursement process that most frequently cause or contribute to improper payments. FNS implemented the Targeted Management Evaluation process for FY 2010 and FY 2011, in response to identified areas of management weakness. The information from this process will help to estimate CACFP erroneous payments pursuant to IPIA.
• Tiering Error—FNS has developed an annual sponsor tiering error measure and tested it. CACFP sponsors are responsible for determining whether family day care homes receive meal reimbursement at the higher rate (Tier 1) or lower rate (Tier 2). The third annual data collection was conducted to determine a nationally representative sponsor tiering determination error rate.
• Claiming Error—FNS has identified two potential methods of estimating the risk of claiming error:
– State data approach: Use data from State monitoring visits of FDCHs.
– Sponsor data approach: Federal staff select a random sample of sponsoring organizations and from each use a random selection of the sponsor’s monitoring visits of FDCHs.
Both approaches compare the number of participants observed during a monitoring visit to the average number of meals claimed for reimbursement for the meal or snack closest to the time of the visit. FNS pilot-tested both approaches in conjunction with the CCAP reviews. FNS concluded that comparing meal claims to a sponsor’s report of the number of children observed during a monitoring visit does not provide a reliable estimate of family home day care meal claiming error.</td></tr>
</table>

Agency	Program	Corrective Actions Planned
		FNS has contracted with Mathematica Policy Research, Inc. to evaluate the feasibility of three different data collection methods for validating FDCH meal reimbursement claims. The pretest found that parent recalls hold promise for validating whether meals claimed for children of interviewed parents are erroneous. A plan is being developed to further evaluate the use of parent-recall interviews in validating sponsor submitted meal claims for FDCHs.
FSA	Milk Income Loss Contract Program (MILC)	MILC improper payments were primarily attributable to administrative errors. Causes of improper payments include: • Incorrect payee share calculation; • Wetland conservation certification not on file; and • Income ineligibility. For MILC corrective actions, see the MAL section. The same corrective actions apply to this program.
FSA	Loan Deficiency Payments (LDP)	LDP improper payments were primarily attributable to administrative errors. Causes of improper payments include: • Incorrect rate used to calculate payment; • Producer did not have beneficial interest in the commodity; and • Producer did not have risk in producing the crop. For LDP corrective actions, see the MAL section. The same corrective actions apply to this program.
FSA	Direct and Counter-Cyclical Payments (DCP)	DCP improper payments were primarily attributable to administrative errors. Causes of improper payments include: • Payee did not have enough cropland interest to support claim; • Required signatures and/or acreage reports were not on file; and • Payment did not take into account required base acres reduction. For DCP corrective actions, see the MAL section. The same corrective actions apply to this program.
FSA	Conservation Reserve Program (CRP)	CRP improper payments were primarily attributable to administrative and verification errors. Causes of improper payments include: • Cost share amount was incorrect; • Conservation reserve contract or plan of operation was not on file or missing signatures; and • Payee share calculation incorrect. For CRP corrective actions, see the MAL section. The same corrective actions apply to this program.
FSA	Miscellaneous Disaster Programs (MDP)	MDP improper payments were primarily attributable to administrative errors. Each fiscal year's payment data represents different disaster response programs based on authorities provided by legislation passed by Congress. Causes of improper payments include: • Calculated payment amount is incorrect; • Acceptable acreage report not on file; and • Application not approved and payment should not have been made. For MDP corrective actions, see the MAL section. The same corrective actions apply to this program.
FSA	Noninsured Assistance Program (NAP)	NAP improper payments were primarily attributable to administrative errors. Causes of improper payments include: • Application for payment filed late; • Incorrect total production used to calculate payment; • Notice of loss filed late; • Unit yield is not properly calculated; and • Incorrect crop acreage used to calculate payment. For NAP corrective actions, see the MAL section. The same corrective actions apply to this program.
FS	Wildland Fire Suppression Management (WFSM)	FS corrective actions have significantly reduced the potential for errors. Those actions resulted in a zero improper payment error rate for WFSM. FS improved controls with regard to review processes, performed continuous internal monitoring of possible improper payments, centralized accounting functions, improved communications, and performed follow-up prior to payment authorization.
RD	Rental Assistance Program (RAP)	RAP improper payments were primarily attributable to administrative and verification errors. Cause of improper payment include: • Insufficient file documentation; and

Agency	Program	Corrective Actions Planned
		• Borrower/agent calculation errors and number transposition. Corrective actions include: • Establish a tracking process in MFIS to monitor the number of tenant files reviewed during the property's triennial Supervisory Visit. This process will provide the agency with additional information regarding the review of tenant files outside of the IPIA audit to help determine trends to supplement with the IPIA review. It also will provide RD with additional documentation to determine on-going compliance with the proper payment of Rental Assistance. Timeframe – Completed on April 14, 2010. • Implement a new management agent performance assessment review that will reduce management fees paid to noncompliant management agents. If performance decreases, there will be a concurrent decrease in the base management fee allowed for that year. Errors made on tenant certifications will be one of six criteria used for determining reduction in management fees paid. Timeframe – December 31, 2010; and • Continue to pursue access to the Department of Health and Human Services' New Hires database and the Department of Housing and Urban Development's Enterprise Income Verification System to be shared with State offices and management agents. Ongoing.
RMA	Federal Crop Insurance Corporation Program Fund (FCIC)	Causes of improper payments include: • Incorrect application of crop insurance policy requirements for prevented planting; • Incorrect acreage reports; and • Incorrect indemnity calculations. FCIC improper payments were primarily attributable to verification errors. RMA completed the fifth year of the 3-year review cycle established to determine the improper payment rate for the Federal Crop Insurance Program. While the strategy for identifying and controlling the error rate includes identifying error trends and policy concerns and correcting them, no underlying policy or underwriting issues have become apparent. This is in part due to the diversity of crops being reviewed and suggests it may be several cycles before RMA may amass sufficient numbers of samples on any particular crop to draw meaningful comparisons in the errors identified. RMA continues to expand its strategic data acquisition and analysis efforts by incorporating additional remote sensing and geospatial analyses to its data warehousing and data mining initiative. The data warehouse was extended to include the compilation of detailed geospatial NEXRAD radar and rainfall data. The application of these data and analysis tools were then increased to include underwriting and program integrity issues throughout the program. Data mining activities continue to show significant cost avoidance savings each year by identifying and spot checking the crop insurance program most anomalous participants based on their history of filing claims. Additionally, RMA and FSA continue to work on completing the Comprehensive Information Management System. This project is designed to identify common and unique producer and crop information reported to both agencies; develop services to access the information; aid in information reconciliation; and reduce the reporting burdens of farmers, ranchers, producers, RMA, FSA, and crop insurance providers. When RMA negotiated and executed the new Standard Reinsurance Agreement (SRA) starting in 2005, it emphasized improved quality controls and enhanced penalties that together should encourage participating companies who sell and service Federal crop insurance policies to improve their improper payments rate. Based on the passage of the 2008 Farm Bill, RMA will have another opportunity beginning with the 2011 reinsurance year to further adjust and improve SRA holder quality control requirements.
NRCS	Farm Security and Rural Investment Act programs (FSRI)	FSRI improper payments were primarily attributable to administrative error. Causes of improper payments include: • Contract modification error. NRCS performs a quarterly review of open obligations. Checklists are developed to be completed during the reviews. NRCS will add specific questions to the checklist to address the documentation issues found during IPIA testing.

IV. Based on the Rate(s) Obtained in Step III, Set Annual Improvement Targets through FY 2012.

Improper Payment Reduction Outlook FY 2010 – FY 2012

Below are summary level tables for all high risk programs outlining improper payment rates for the last two years and future reduction targets. When a number cannot be provided, an explanation is provided in the notes below. The tables include amounts from program sampling results. USDA programs report results the year following sampling activity. For example, results reported during FY 2010 represent measures of FY 2009 outlays and program activity.

Improper Payment Sampling Results ($ in millions)						
	Results Reported in FY 2009			Results Reported in FY 2010		
Program	Outlays	IP%	IP$	Outlays	IP%	IP$
Marketing Assistance Loan Program, FSA/CCC [Note #3]	4,935	2.56%	85	4,151	0.81%	35
Supplemental Nutrition Assistance Program, FNS [Note #6]	34,611	5.01%	1,733	50,360	4.36%	2,195
National School Lunch Program, FNS [Note #1]						
Total Program	9,436	16.44%	1,551	8,925	16.28%	1,453
Certification Error	9,436	9.56%	902	8,925	9.40%	839
Counting/Claiming Error	9,436	6.88%	649	8,925	6.88%	614
School Breakfast Program, FNS [Note #1]						
Total Program	2,273	24.62%	560	2,534	24.87%	630
Certification Error	2,273	8.83%	201	2,534	9.08%	230
Counting/Claiming Error	2,273	15.79%	359	2,534	15.79%	400
Women, Infants and Children, FNS [Note #2]						
Total Program	4,483	N/A	N/A	6,480	N/A	N/A
Certification Error Component	4,483	N/A	N/A	6,480	N/A	N/A
Vendor Error Component	4,483	1.27%	57	6,480	1.17%	76
Child and Adult Care Food Program, FNS [Note #2]						
Total Program	2,214	N/A	N/A	2,461	N/A	N/A
FDC Homes – Tiering Decisions	713	2.07%	15	911	0.99%	9
FDC Homes – Meal Claims	713	N/A	N/A	911	N/A	N/A
Milk Income Loss Contract Program, FSA [Note #5] [Note #3]	2	N/A	N/A	602	0.66%	5
Loan Deficiency Payments, FSA [Note #5] [Note #3]	6	N/A	N/A	114	0.44%	0.5
Direct and Counter-Cyclical Payments, FSA [Note #3]	4,948	0.42%	20	5,921	0.96%	56
Conservation Reserve Program, FSA [Note #3]	1,876	0.72%	11	1,814	1. 20%	24
Miscellaneous Disaster Programs, FSA [Note #3]	2,245	0.90%	19	108	4.60%	5
Noninsured Assistance Program, FSA [Note #3]	67	14.20%	8	59	11.65%	7
Wildland Fire Suppression Management, FS	1,016	0.00%	0.0	710	0.00%	0.0
Rental Assistance Program, RD	887	2.06%	18	979	1.39%	14
Federal Crop Insurance Corporation Program Fund, RMA [Note #4]	3,545	5.79%	205	8,680	6.05%	525
Farm Security and Rural Investment Act programs, NRCS	1,320	0.03%	0.0	1,505	0.41%	6
USDA Total	72,363	5.92%	4,283	93,853	5.37%	5,039

Detailed Breakout of Improper Payment Reported in FY 2010							
	Total Payments $ in millions	IP %	Over-Payments %	Under-Payments %	Other %	Incorrect Disbursement %	Incomplete Paperwork %
Marketing Assistance Loan Program, FSA/CCC [Note #3]	4,151	0.81%	0.81%	0.00%	N/A	0.09%	0.72%
Supplemental Nutrition Assistance Program, FNS [Note #6]	50,360	4.36%	3.53%	0.82%	N/A	4.36%	N/A
National School Lunch Program, FNS	8,925	16.28%	12.34%	3.94%	N/A	16.28%	N/A
School Breakfast Program, FNS	2,534	24.87%	21.47%	3.40%	N/A	24.87%	N/A
Women, Infants and Children, FNS	6,480	1.17%	0.86%	0.31%	N/A	1.17%	N/A
Child and Adult Care Food Program, FNS	911	0.99%	0.99%	0.00%	N/A	0.99%	N/A
Milk Income Loss Contract Program, FSA [Note #5] [Note #3]	602	0.66%	0.41%	0.25%	N/A	0.52%	0.14%
Loan Deficiency Payments, FSA [Note #5] [Note #3]	114	0.44%	0.30%	0.14%	N/A	0.44%	N/A
Direct and Counter-Cyclical Payments, FSA [Note #3]	5,921	0.96%	0.86%	0.10%	N/A	0.74%	0.22%
Conservation Reserve Program, FSA [Note #3]	1,814	1.20%	1.08%	0.12%	N/A	0.47%	0.76%
Miscellaneous Disaster Programs, FSA [Note #3]	108	4.60%	3.55%	1.05%	N/A	3.56%	1.04%
Noninsured Assistance Program, FSA [Note #3]	59	11.65%	10.23%	1.42%	N/A	5.63%	7.20%
Wildland Fire Suppression Management, FS	710	0.00%	0.00%	0.00%	N/A	0.00%	0.00%
Rental Assistance Program, RD	979	1.39%	1.13%	0.26%	N/A	1.19%	0.20%
Federal Crop Insurance Corporation Program Fund, RMA	8,680	6.05%	6.02%	0.03%	N/A	6.05%	0.00%
Farm Security and Rural Investment Program, NRCS	1,505	0.41%	0.41%	0.00%	N/A	0.41%	0.00%
USDA Total	93,853	5.37%	4.42%	0.95%	0.00%	5.30%	0.07%

Improper Payment Reduction Outlook ($ in millions)									
	FY 2011 Reporting			FY 2012 Reporting			FY 2013 Reporting		
Program	Outlays	IP%	IP$	Outlays	IP%	IP$	Outlays	IP%	IP$
Marketing Assistance Loan Program, FSA/CCC	2,278	0.81%	18	127	0.81%	1	127	0.81%	1
Supplemental Nutrition Assistance Program, FNS [Note #6]	72,577	4.36%	3,164	76,030	4.36%	3,315	76,030	4.36%	3,315
National School Lunch Program, FNS	10,061	15.82%	1,592	10,456	15.37%	1,607	10,456	14.93%	1,561

Improper Payment Reduction Outlook ($ in millions)									
	FY 2011 Reporting			FY 2012 Reporting			FY 2013 Reporting		
Program	Outlays	IP%	IP$	Outlays	IP%	IP$	Outlays	IP%	IP$
School Breakfast Program, FNS	2,823	24.06%	679	2,959	23.27%	689	2,959	22.52%	666
Women, Infants and Children, FNS	7,704	0.97%	75	7,467	0.77%	58	7,467	0.57%	43
Child and Adult Care Food Program, FNS	896	0.92%	8	908	0.87%	8	908	0.82%	7
Milk Income Loss Contract Program, FSA	225	0.66%	1	100	0.66%	0.6	100	0.66%	0.6
Loan Deficiency Payments, FSA	183	0.44%	1	24	0.44%	0.1	24	0.44%	0.1
Direct and Counter-Cyclical Payments, FSA	6,223	0.40%	25	5,712	0.39%	22	5,712	0.39%	22
Conservation Reserve Program, FSA	1,973	0.70%	14	1,958	0.69%	14	1,958	0.69%	14
Miscellaneous Disaster Programs, FSA	1,284	0.88%	11	1,205	0.87%	10	1,205	0.87%	10
Noninsured Assistance Program, FSA	122	5.90%	7	124	2.50%	3	124	2.50%	3
Wildland Fire Suppression Management, FS	2,300	0.02%	0.5	2,400	0.02%	0.5	2,500	0.02%	0.5
Rental Assistance Program, RD	999	1.35%	13	1,030	1.31%	13	1,079	1.28%	14
Federal Crop Insurance Corporation Program Fund, RMA	5,425	4.50%	244	6,000	4.40%	264	6,000	4.30%	258
Farm Security and Rural Investment, NRCS	2,172	0.15%	3	2,688	0.10%	3	2,688	0.10%	3

The chart below includes recovery of improper payments from USDA's high risk programs. The recoveries represent overpayment amounts identified by agency post-payment reviews and annual IPIA statistical sampling. The prior years column includes recoveries from FY 2004 through FY 2009. As IPERA requirements are implemented, recoveries identified from additional programs will be included in future years.

FY 2010 Recovery of Improper Payments ($ in Million)						
Agency Source	FY 2010 Amounts Identified	FY 2010 Amounts Recovered	Prior Years Amounts Identified	Prior Years Amounts Recovered	Cumulative (Current & Prior Years) Amounts Identified	Cumulative (Current & Prior Years) Amounts Recovered
USDA (High Risk Programs)	NA	310.332	NA	491.070	NA	801.402
	NA	310.332	NA	491.070	NA	801.402
	NA	310.332	NA	491.070	NA	801.402

Note #1: Information has not been adjusted for interaction between the different sources of certification error and counting/claiming error. Improper payment rates (School Year 2008/09) times SBP outlays (FY 2009).

Note #2: WIC and CACFP tests components of their total program. WIC currently tests and reports on the vendor error component of the payment process. The WIC certification error component information should be available in 2011. CACFP currently tests and reports on the FDCH tiering decision component of the payment process. FNS continues to evaluate the measurement processes for the CACFP meal claim component. It has not set a date for measurement and reporting.

Note #3: The FY 2010 estimated improper payment dollar amounts for MAL, DCP, CRP, MDP, and NAP may reflect variances from the relationship between the improper payment percentage and the outlays amount. These variances result from the complex, multi-stage statistical sampling methodology developed by the contract statistician in calculating the independent projections of the dollars/percentages in error. The variances are a complex ratio estimate weighted with respect to the payments within their applicable county stratification. They reflect the variability within the payment data and occur with a 90-percent confidence level. The MAL, DCP, CRP, MDP, NAP, MILC, and LDP universe of payments for the FY 2010 was September 2008 through August 2009. The measurement period was adjusted to meet the report timeframe.

Note #4: RMA uses a three year running average to calculate the improper payment error rate. This is the fifth year RMA has used this process to measure the improper payment error rate.

Note #5: FSA did not measure MILC and LDP for the FY 2009 IPIA review and reporting cycle since sampling was not cost effective due to the very low outlay amounts ($2 million for MILC and $6 million for LDP). FSA measured MILC and LDP for the FY 2010 IPIA review cycle.

Note #6: The SNAP FY 2010 improper payments error rate and estimated amount of improper payments for payments made in FY 2009 reflect the ARRA requirement to exclude small errors of $50 and less. Future performance may be affected by the expiration of this provision. USDA and OMB continue to evaluate SNAP improper payment targets. The targets may be adjusted in consideration of increased need resulting in further growth in the program, which has been unprecedented in the last year, State budget constraints, and other related factors.

V. Discussion of your Agency's Recovery Auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments, and the business changes and internal controls instituted and/or strengthened to prevent further occurrences.

In addition, complete the table below.

USDA's task order for FY 2010 recovery auditing contractor services was unexpectedly cancelled. Alternatively, the FY 2010 columns in the following chart reflect the agency identified and recovered amounts through post-payment reviews, contract close-outs, or notification by vendors. USDA is in the process of establishing a replacement contract for recovery auditing services that will align its recovery program with the requirements of the recent Improper Payments Elimination and Recovery Act of 2010 and the Presidential Memorandum titled "Finding and Recapturing Improper Payments."

FY 2010 Results for Recovery Auditing of Contracts ($ in Million)								
Agency Component	Amount Subject to Review for FY 2010 Reporting	Actual Amount Reviewed and Reported	FY 2010 Amounts Identified for Recovery	FY 2010 Amounts Recovered	Prior Years Amounts Identified for Recovery	Prior Years Amounts Recovered	Cumulative (Current & Prior Years) Amounts Identified for Recovery	Cumulative (Current & Prior Years) Amounts Recovered
Forest Service	480.800	0.709	0.709	0.585	0.684	0.684	1.393	1.269
Natural Resources Conservation Service	NA	NA	0.000	0.000	0.026	0.026	0.026	0.026
Agricultural Research Service	NA	0.051	0.051	0.000	0.059	0.059	0.110	0.059
Animal and Plant Health Inspection Service*	160.200	157.822	0.000	0.000	0.395	0.395	0.395	0.395
Farm Service Agency	NA	NA	0.000	0.000	0.047	0.047	0.047	0.047
Food Safety and Inspection Service	NA	NA	0.000	0.000	0.000	0.000	0.000	0.000
Rural Development	NA	0.004	0.000	0.004	0.000	0.000	0.000	0.004
Agricultural Marketing Service	2.200	NA	0.000	0.000	0.002	0.002	0.002	0.002
All Others	NA	NA	N/A	N/A	N/A	N/A	N/A	N/A
USDA Total	NA	NA	0.760	0.589	1.213	1.213	1.973	1.802

VI. Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.

FSA

The following are steps taken to ensure agency managers are held accountable for reducing and recovering improper payments:

- FSA has a performance management program designed to improve individual and organizational effectiveness in accomplishing its mission and goals. This program provides for improper payments to be included in the State Executive Directors Performance Plan, element 5 titled "Program Management;"

- National and State Office (STO) managers are held accountable for ensuring that program policies and procedures are provided to the STO and COF employees accurately and on a timely basis. National office managers are also held accountable, as reflected in the performance based rating measures, for overall program administration at the National level. FSA employees' performance elements are directly related to FSA's Strategic Plan;
- COF employees, including the County Executive Director, are responsible for making payments to producers and following all administrative steps in doing so.
- Employees will be evaluated on program delivery compliance with regulations, policies, and procedures through their performance plans;
- The Deputy Administrator of Field Operations will facilitate meetings with the program areas to discuss any additional action necessary for senior management to address accountability;
- Employees at all levels of the agency will be held accountable for efficient and accurate delivery of all FSA programs; and
- FSA's Strategic Plan for 2005-2011 established a performance measure to help ensure payments are accurate and complete. The performance measure, "Maintain or Increase the Percentage of Proper Payments," is identified in FSA's crosscutting management objective, "Strategically Managing Human Capital."

FNS

An agency priority is to improve stewardship of Federal funds. Within this priority are specific goals applicable to programs at high risk for erroneous payments. The goal for SNAP, WIC, and CACFP is to reduce the error rates by continued management improvements. The goal of NSLP and SBP is to improve the accuracy of school administration processes that certify children for school meals. The agency goals and priorities are incorporated into each manager's performance plan.

FS

The FS Albuquerque Service Center management team is held accountable by performance metrics that include IPIA compliance. Additionally, the agency chief financial officer will provide disbursement performance information to the agency head as part of the performance appraisals for senior leadership.

RD

RD State Offices with improper payment errors develop a corrective action plan. The plan includes procedures to train field staff, borrowers and property manager in appropriate required documentation and follow-up with tenants and income-verifiers.

RMA

RMA revised its strategic plan to provide results to enhance accountability. It also has established procedures to ensure RMA management takes future corrective actions to address program vulnerabilities. Additionally, every employee's performance plan agreement has contained a position-corresponding strategic objective element since FY 2005.

NRCS

NRCS incorporated IPIA goals and objectives in the performance standards for all senior executive service positions. These also have been included in the regional assistant chiefs and State conservationist performance plans.

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

VII B. If the agency does not have such systems and infrastructure, describe the resources the

While USDA is creating information systems and infrastructure to reduce improper payments, especially for programs susceptible to significant risk, efforts in some programs are constrained by limited resources. The Department has worked closely with OMB to develop action plans that focus available resources on the most critical needs with regard to improper payment measurement and risk reduction.

VIII. Describe any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

FSA/CCC

The Department of Agriculture Reorganization Act of 1994, Section 281, provides that "[E]ach decision of a State, county, or area committee or an employee of such a committee, made in good faith in the absence of misrepresentation, false statement, fraud, or willful misconduct shall be final not later than 90 calendar days after the date of filing of the application for benefits, [and] ...no action may be taken...to recover amounts found to have been disbursed as a result of the decision in error unless the participant had reason to believe that the decision was erroneous." This statute commonly is referred to the "Finality Rule."

FNS

Recent child nutrition reauthorization legislation, while it included some changes requested by the Administration to improve accountability, limited USDA's ability to act in this area because of concerns about potential barriers to participation. In many instances, the mandated goal of providing easy access to benefits must be balanced against the goal of reducing improper and erroneous payments. In addition, program administration is highly decentralized, involving a myriad of governmental and non-governmental organizations. There are approximately 100,000 school meal locations at which benefits are provided. Many of these benefit providers simply do not have the capacity to develop robust accountability processes. For these reasons, any approach to reducing school meals improper payments must:

- **Improve accuracy without compromising access for low-income families.** A process that keeps eligible children from participating would undermine the program;
- **Not unduly increase burden on schools.** Many schools consider the program burdensome now. Adding burden could discourage schools from participating;

- **Be cost-effective.** Improving accuracy is potentially resource-intensive. Policymakers must not create a process that increases net program costs; and
- **Answer the needs of other users of program data,** which often use certification data to distribute millions of dollars in other kinds of benefits to schools. As these needs contribute to the problem, a solution may also require new commitments from those users.

RD

The RD program does not have the statutory authority, similar to HUD, to gain access to data from HHS, IRS, SSA, and DOL to be shared with field offices and management agents.

NRCS

Verification of eligibility will be an ongoing challenge for NRCS. It would be advantageous for NRCS to determine adjusted gross income eligibility on current and future Farm Security and Rural Investment Act programs (Farm Bill) participants by coordinating with IRS. For long-term contracts, the IRS requirement for participants to maintain tax records expires prior to the expiration of the Farm Bill contracts, limiting the ability to independently verify eligibility.

IX. Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges as a result of IPIA implementation.

USDA has no additional comments.

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

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

Background

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

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

FY 2010 Results

Exhibit 1: Decrease in Total Open Audit Inventory

Note: The FY 2009 ending balance was revised from 127 to 135 to include 8 audits that were transmitted from the Office of Inspector General after the reporting period. These adjustments are also reflected in the beginning balances for audits with disallowed costs and funds to be put to better use shown in Exhibit 3 and Exhibit 5.

USDA agencies closed 59 audits in fiscal year (FY) 2010. OIG and USDA agencies reached management decision on 29 audits during the year. One audit is in appeal status. As shown in Exhibit 1, the Department reduced its inventory of open audits in FY 2010 by 22 percent from 135 to 105.

Audit Follow-Up Process

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

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

Exhibit 2: Audit Follow-Up Definitions

Term	Definition
Disallowed Cost	An incurred cost questioned by OIG that management has agreed should not be chargeable to the Government.
Final Action	To complete all actions that management has agreed will address the audit findings and recommendations.
Funds To Be Put to Better Use	An OIG recommendation that funds could be used more efficiently if management completes the recommendation, including: • Reductions in outlays or other savings; • De-obligation of funds from programs or operation, or withdrawal of subsidy costs on loans, guarantees, or bonds; and • Implementing recommended improvements for grants or contracts or unnecessary expenditures noted in pre-award reviews of contract or grant agreements.
Management Decision	Agreement between management and OIG on corrective action needed to address audit findings and recommendations.

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

Exhibit 3: Inventory of Audits with Disallowed Costs[5]

Audits with Disallowed Costs (DC)	# of Audits	Amount ($)
Beginning of the Period	42	73,482,218
Plus: New Management Decisions	4	6,773,158
Total Audits Pending Collection of DC	46	80,255,376
Adjustments		30,253,805
Revised Subtotal		50,001,571
Less: Final Actions (Recoveries)*	14	747,749
Audits with DC Requiring Final Action at the End of the Period	32	$49,253,822

Exhibit 4: Distribution of Adjustments to DC

Category	Amount ($)
Legal Decision	935,039
Write-Offs	124,418
Change in Management Decision	8,774,405
Agency Documentation	20,358,095
Agency Discovery	61,848
Total	$30,253,805

Exhibit 5: Inventory of Audits with Funds To Be Put to Better Use[1]

Audits with Funds to be Put to Better Use (FTBU)	# of Audits	Amount ($)
Beginning of the Period	15	$505,269,671
Plus: New Management Decisions	5	43,588,709
Total Audits Pending	20	548,858,380
Less: Final Actions	4	6,389,749
Audits with FTBU Requiring Final Action at the End of the Period	16	$542,468,631
Disposition of FTBU:		
FTBU Implemented		6,389,749
FTBU Not Implemented		0
Total FTBU Amounts for Final Action Audits		$6,389,749

Of the 59 audits that achieved final action during the fiscal year, 14 contained DC. The number of DC audits remaining in the inventory at the end of the fiscal year is 32 with a monetary value of $49,253,822.

[5] Exhibit 3 and Exhibit 5 include only those open audits with DC and FTBU, respectively. Additionally, some audits contain both DC and FTBU amounts. For these reasons, the number of audits shown as the ending balances in Exhibit 3 and Exhibit 5 does not equal the total resolved audit inventory balance in Exhibit 1.

For audits with disallowed costs that achieved final action in FY 2010, OIG and management agreed to collect $31,001,554. Adjustments were made totaling $30,253,805 (98 percent of the total) because of: 1) legal decisions; 2) write-offs; 3) USDA agencies' ability to provide sufficient documentation to substantiate disallowed costs; and 4) agency discovery. Management recovered the remaining $747,749.

Final action occurred on four audits that involved FTBU amounts. The number of FTBU audits remaining in the inventory to date is 16 with a monetary value of $542,468,631.

Exhibit 6: Decrease in the Number of Audits Open One or More Years Past the Management Decision Date

Audits one Year or More Past (Management Decision Date) MDD	# of Audits
Beginning of the period	98
Less: FY 2009 audits closed	37
Audit in appeal Subtotal FY 2009 Audits one year or more past MD	1 60
Plus: Audits that turned one year during FY 2010	23
End of the Period (audit in appeal not listed in Exhibit below)	83

The numbers of audits open 1 or more years without final action in FY 2010 decreased from 98 to 60 audits, a 39-percent decrease. During the year, an additional 23 audits turned 1 year past Management Decision Date (MDD) for a balance of 83 audits. USDA agencies continue to pursue compensating controls that address many of the underlying issues identified in these older audits.

Agencies have completed all planned corrective actions on 20 audits that are pending collection of associated disallowed costs. Audits without final action 1 year or more past the MDD and behind schedule are listed individually in the table that follows. They are categorized by the reason final action has not occurred. More detailed information on audits on schedule and audits under collection is available from OCFO.

Exhibit 7: Distribution of Audits Open 1 Year or More Past the MDD

	Audits On Schedule			Audits Behind Schedule			Audits Under Collection		
Agency	No.	DC ($)	FTBU ($)	No.	DC ($)	FTBU ($)	No.	DC ($)	FTBU ($)
Totals	2	$204,174	0	60	$30,988,245	$497,670,263	20	$11,295,720	$1,209,659

Management's Report on Audit Follow-Up

Exhibit 8: Audits Open 1 Year or More Past the MDD and Behind Schedule

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC$	Monetary Amount FTBU$
(34) Pending issuance of policy/guidance and legislation					
02601-1-CH	9/30/05	10/30/10	ARS Adequacy of Controls to Prevent the Improper Transfer of Sensitive Technology	-	-
03099-198-KC	8/22/08	2/15/11	FSA Inspection of Temporary Domestic Storage Sites for Foreign Food Assistance	-	-
03601-11-AT	11/17/05	3/31/11	FSA Minority Participation in Farm Service Agency's Programs	-	-
03601-17-CH	9/29/08	3/31/11	FSA Controls Over Guaranteed Farm Loan Interest Rates and Interest Assistance	-	-
04099-339-AT	3/23/05	12/31/10	RD, RHS Subsidy Payment Accuracy in Multi-Family Housing Program	-	-

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC$	FTBU$
04601-17-CH	7/2/09	2/28/11	RD, RHS Controls Over Lender Activities in the Single Family Housing Guaranteed Loan Program	-	-
05601-4-KC	3/4/09	9/30/11	RMA Use of the National Agriculture Statistics Service County Average Yields for the Group Risk Protection Plans of Insurance	-	$70,000,000
08001-1-AT	4/19/07	10/30/10	FS Implementation of the Capital Improvement Program	-	-
08601-2-HY	12/22/06	12/31/10	FS Follow up on Recommendations Made on the Maintenance of FS Infrastructure	-	-
08601-30-SF	3/31/03	12/31/10	FS Review of Security Over Explosives/Munitions/Magazines Located Within the National Forest System	-	-
08601-44-SF	12/7/06	12/31/10	FS Large Fire Suppression Cost	-	-
08601-45-SF	8/8/06	12/31/10	FS Follow-up Review of FS Security Over Explosives/Munitions Magazines Located within the National Forest System	-	-
08601-52-SF	8/22/08	12/31/10	FS Renewable Energy Program	-	-
09601-4-TE	9/30/05	3/30/11	RD, RUS Broadband Grant and Loan Programs	$25,614,279	$308,063,204
09601-8-TE	3/31/09	3/30/11	RD, RUS Broadband Grant and Loan Guartanteed Program	-	-
10401-2-FM	11/13/08	9/30/13	NRCSe Financial Statements for FY 2008	-	-
24501-1-FM	11/24/04	10/31/10	FSIS Application Controls Performance Based Inspection Service System	-	-
24601-1-CH	6/21/00	3/31/11	FSIS Laboratory Testing of Meat and Poultry Products	-	-
24601-2-KC	9/30/03	10/31/10	FSISe Oversight of Production Process and Recall at ConAgra Plant	-	-
24601-5-AT	6/24/05	10/30/10	FSIS Hazard Analysis and Critical Control Point Implementation at Very Small Plants.	-	-
24601-7-KC	11/28/08	10/31/10	FSIS Evaluation of FSIS Management Controls over Pre-Slaughter Activities	-	-
27099-49-TE	3/10/08	11/30/11	Disaster Food Stamp Program for Hurricanes Katrina and Rita, Louisiana, Mississippi and Texas	-	-
27601-3-CH	3/22/96	12/31/10	FNS Food Stamp Program Disqualified Recipient System	-	-
33601-3-CH	2/20/03	6/30/12	APHIS Safeguards to Prevent Entry of Prohibited Pests and Diseases into the United States	-	-
33601-7-CH	8/14/07	6/30/12	APHIS Review of Customs and Border Protection Inspection Activities	-	-
34099-2-AT	9/14/01	9/30/12	RD, RBCS Business and Industry Loan Program, OMNIVEST Resources, Inc. – Fort Gaines, Georgia	$4,052,351	-
34601-4-AT	1/10/03	7/31/12	RD, RBCS Lender Servicing of Business and Industry Guaranteed Loans in Georgia	-	-
34601-15-TE	9/30/03	12/31/10	RD, RBCS National Report on the Business and Industry Loan Program	-	-
50401-65-FM	11/14/08	9/30/11	Office of the Chief Financial Officer USDA Consolidated Financial Statements FY 2007 and FY 2006	-	-
50601-8-TE	1/28/05	9/30/12	APHIS Controls Over Issuance of Genetically Engineered Organism Release Permits	-	-
50601-10-AT	3/8/04	5/30/11	ARS Follow-up Report on the Security of Biological Agents at U.S. Department of Agriculture Laboratories	-	-

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC$	Monetary Amount FTBU$
50601-14-TE	2/20/09	10/30/10	Research Education and Economics USDA's Role in the Export of Genetically Engineered Agricultural Commodities	-	-
50601-17-TE	12/12/08	10/30/10	Research Education and Economics Control over Importation of Transgenic Plant and Animals	-	-
50801-12-AT	9/9/02	10/30/10	Departmental Management Management of Hazardous Materials Management Funds	-	$1,813,809
(9) Pending completion of IT system security weaknesses, systems development, implementation, or enhancement					
04601-14-CH	3/20/07	10/31/10	Rural Development, Rural Housing Service Improper Payments - Monitoring the Progress of Corrective Action for High-Risk Programs in Rural Housing Service	-	-
04801-6-KC	12/18/00	10/31/10	Rural Development, Rural Housing Service Rural Rental Housing Program Insurance Expenses, Phase I	$1,029,999	$9,000
05600-1-TE	9/28/89	10/30/10	Risk Management Agency Crop Year 1988 Insurance Contracts with Claims	-	-
06401-17-FM	11/5/04	12/30/12	Commodity Credit Corporation's Financial Statements for Fiscal Years 2004 and 2003	-	-
24601-3-CH	9/30/04	10/31/10	Food Safety and Inspection Service Review of the Food Safety Information Systems	-	-
24601-7-HY	9/28/06	10/31/10	Food Safety and Inspection Service Issues Impacting the Development of Risk-Based Inspection at Meat and Poultry Processing Establishments	-	-
24601-8-CH	8/23/07	10/31/10	Food Safety and Inspection Service Egg Products Processing Inspection	-	-
24601-8-HY	8/24/08	10/31/10	Food Safety and Inspection Service Followup Review of Food Safety and Inspection Service's Controls Over Imported Meat and Poultry Products	-	-
33601-1-HY	2/14/05	10/31/10	Food Safety and Inspection Service Oversight of the Importation of Beef Products from Canada	-	-
(5) Pending results of internal monitoring or program review					
04099-212-TE	8/25/09	12/31/10	Rural Development, Rural Housing Service Multi – Family Housing Loans in Texas	-	-
05099-109-KC	1/27/05	12/31/10	Risk Management Agency Renegotiation of the Standard Reinsurance Agreement	-	-
08401-9-FM	11/13/08	10/30/10	Forest Service Audit of Fiscal Year 2009 Financial Statements	-	-
27601-32-CH	9/28/04	6/30/11	Food and Nutrition Service Compliance with Improper Payments Reporting Requirements	-	-
85401-15-FM	11/7/08	11/30/10	Rural Development's Financial Statements for Fiscal Years 2008 and 2007	-	-
(2) Conclusion of external action					
08601-51-SF	8/5/08	1/31/11	Forest Service Controls over Documenting and Reporting Its Hurricane Relief Expenditures to FEMA	-	$116,827,492
50601-6-TE	3/4/04	12/30/10	Agricultural Research Service Controls Over Plant Variety Protection and Germplasm Storage	-	-

Audits	Date Issued	Revised Completion Date	Audit Title	Monetary Amount DC$	Monetary Amount FTBU$
(3) Pending results of request for change in management decision					
04801-3-KC	3/31/99	10/30/10	Rural Development, Rural Housing Service Rural Rental Housing Program Bosley Management, Incorporated – Sheridan, Wyoming	$146,690	$85,516
08401-8-FM	11/15/07	11/1/10	Forest Service Financial Statements for FY 2007 and 2006	-	-
11099-44-FM	12/14/06	10/30/10	Departmental Management Purchase Card Management System Controls Need Strengthening	-	-
(1) Pending Office of General Counsel (OGC) or OIG advice					
04601-15-CH	3/30/07	12/31/10	Rural Development, Rural Housing Service Controls over Single Family Housing Funds Provided for Hurricane Relief Efforts	-	$388,842
(6) Pending administrative action					
06401-15-FM	12/26/02	12/30/12	Commodity Credit Corporation's Financial Statements for FY 2002	-	-
06401-20-FM	11/9/05	12/30/12	Commodity Credit Corporation's Financial Statements for FY 2005 and 2004	-	-
07016-1-AT	3/15/06	10/30/10	Foreign Agricultural Service Private Voluntary Organization Grant Fund Accountability	$144,923	-
07601-2-HY	7/22/08	10/30/10	Foreign Agricultural Service Export Credit Guarantee Program	-	-
13001-3-TE	8/16/04	11/30/10	Cooperative State Research, Education, and Extension Service Implementation of Agricultural Research, Extension and Education Reform Act of 1998	$3	$482,400
50099-11-HY	3/31/05	10/30/10	Research Education and Economics Implementation of Federal Research Misconduct Policy in the U.S. Department of Agriculture	-	-
Total Number Audits (60)			Total	$30,988,245	$497,670,263

Appendix D — Acronyms

A

ACMS – APHIS Cost Management System
ACRE – Average Crop Revenue Election
AGRM – Arkansas Global Rice Model
AMS – Agricultural Marketing Service
APEC – Access, Participation, Eligibility, and Certification Study
APHIS – The Animal and Plant Health Inspection Service
ARRA – American Reinvestment and Recovery Act of 2009
ARS – Agricultural Research Service
AWEP – Agricultural Water Enhancement Program

B

B&I – Business and Industry Guaranteed Loan Program
BMI – Body Mass Index
BSE – Bovine Spongiform Encephalopathy

C

CACFP – Child and Adult Care Food Program
CBWI – Chesapeake Bay Watershed
CCAP – Child Care Assessment Project
CCC – Commodity Credit Corporation
CDC – United States Centers for Disease Control and Prevention
CEAP – Conservation Effects Assessment Project
CF – Community Facilities
CNMP – Comprehensive Nutrient Management Plan
CNPP – Center for Nutrition Policy and Promotion
CNR – Child Nutrition and WIC Reauthorization Act of 2004
CPAP – Community Programs Application Processing
CPI – Counterpart International
CRE – Coordinated Review Effort
CRP – Conservation Reserve Program
CSAM – Cyber Security Assessment and Management System
CStP – Conservation Security Program
CSU – Colorado State University
CTA – Conservation Technical Assistance Program
CWPP – Community Wildlife Protection Program

D

DC – Disallowed Costs
DCP – Direct and Counter-cyclical Program
DDA – Doha Development Agenda
DNA – Deoxyribonucleic Acid
DOI – United States Department of the Interior

E

EAB – Emerald Ash Borer
EBT – Electronic Benefits Transfer
eFMS – Electronic Funds Management System
EFNEP – The Expanded Food and Nutrition Education Program
EGVM – European Grapevine Moth
EIAO – Enforcement, Investigations, and Analysis Officers
EO – Executive Order
EQIP – Environmental Quality Incentives Program
ERS – Economic Research Service
EU – European Union
ExCEED – Extension Community Economic and Entrepreneurial Development Program

F

FAFH – Food Away From Home
FAS – Foreign Agricultural Service
FATER – The Food Aid Targeting Effectiveness Ratio
FCIC – Federal Crop Insurance Corporation
FDCH – Family Day Care Homes
FFAS – Farm and Foreign Agricultural Services
FFMIA – Federal Financial Management Improvement Act of 1996
FISMA -- Federal Information Security Management Act
FRCC – Fire Regime Condition Class
FRIS – Farm and Ranch Irrigation Survey
FRPP – The Farm and Ranch Protection Program
FS – Forest Service
FSA – Farm Service Agency
FSM – Forest Service Manual
FSIS – Food Safety and Inspection Service
FSRI – Farm Security and Rural Investment Act

FLP – Farm Loan Program
FMFIA – Federal Managers' Financial Integrity Act
FMMI – Financial Management Modernization Initiative
FNCS – Food, Nutrition, and Consumer Services
FNS – Food and Nutrition Service
FPA – Fire Program Analysis
FSWG – Food Safety Working Group
FTBU – Funds to Be Put to Better Use
FTF – Feed the Future
FWP – Farmable Wetlands Program
FWS – U.S. Fish and Wildlife Service
FY – Fiscal Year

G

GAO – United States Government Accountability Office
GAAP – Generally Accepted Accounting Principles
GCFI – Gross Cash Farm Income
GE – Genetically Engineered
GIPSA – The Grain Inspection, Packers and Stockyards Administration
GLS – Guaranteed Loan System
GM – Genetically Modified
GPRA – Government Performance and Results Act of 1993

H

HACCP – Hazard Analysis and Critical Control Points
HEI – Healthy Eating Index
HHS – U.S. Department of Health and Human Services
HSI – Habitat Suitability Indices
HUD – U.S Department of Housing and Urban Development

I

IPERA – Improper Payments Elimination and Recovery Act
IPIA – Improper Payments Information Act of 2002
IPM – Integrated Pest Management
IRS – Internal Revenue Service
IT – Information Technology
IVT – Intensified Verification Testing

L

LDP – Loan Deficiency Payments
LEA – Local Education Agency
Lm – Listeria monocytogenes

M

MCA – Managerial Cost Accounting
MDD – Management Decision Date
MDP – Miscellaneous Disaster Program
MFIS – Multi-Family Information System
MIDAS -- Modernize and Innovate the Delivery of Agricultural Systems
MILC – Milk Income Loss Contract Program
MRL – Maximum Residue Limits
MRP – Marketing and Regulatory Program

N

NAHLN – National Animal Health Laboratory Network
NAL – National Agricultural Library
NAP – Noninsured Assistance Program
NASS – National Agricultural Statistics Service
NCP – National Conservation Planning
NDB – National Data Bank
NEPA – National Environmental Policy Act
NFS – National Forest System
NORS – National Outbreak Reporting System
NPDN – National Plant Diagnostic Network
NPGS – National Plant Germplasm System
NRCS – Natural Resources Conservation Service
NSLP – National School Lunch Program

O

OCFO – The Office of the Chief Financial Officer
OCIO – The Office of the Chief Information Officer
OIG – The Office of Inspector General
OMB – The U.S. Office of Management and Budget

P

P&S – The Packers and Stockyards Act
PCR – Polymerase Chain Reaction

PAR – Performance and Accountability Report
PART – Performance Assessment Rating Tool
PFGE – Pulse-field Gel Electrophoresis

Q

QC – Quality Control

R

RAP – Rental Assistance Program
RD – Rural Development
REE – Research, Education, and Economics
RHIF – Rural Housing Insurance Fund
RMA – Risk Management Agency
RORA – Regional Office Review of Applications
RTE – Ready-to-Eat
RULSS – Rural Utilities Loan Servicing System
RUS – Rural Utilities Service

S

SARE – Sustainable Agricultural Research and Education
SBP – School Breakfast Program
SFFAS – Statement of Federal Financial Accounting Standards
SIP – Salmonella Initiative Program
SNAP – Supplemental Nutrition Assistance Program
SPS – Sanitary/Phytosanitary
SRA – Standard Reinsurance Agreement
STO – State Office
SY – School Year

T

TANF – Temporary Assistance for Needy Families
TBT – Technical Barrier to Trade
TEFAP – The Emergency Food Assistance Program
TPP – Trans-Pacific Partnership

U

ULO – Unliquidated Obligations
USDA – U.S. Department of Agriculture
USSGL – United States Standard General Ledger
USTR – Office of the U.S. Trade Representative

V

n/a

W

WBSCM – Web-based Supply Chain Management
WEP – Water and Environmental Programs
WEPS – Wind Erosion Prediction System
WFSP – Wildland Fire Suppression Management
WHIP – Wildlife Habitat Incentives Program
WIC – Special Supplemental Nutrition Program for Women, Infants and Children
WRP – Wetlands Reserve Program
WTO – World Trade Organization
WUI – Wildland Urban Interface