



United States Department of Agriculture
Office of Inspector General



Office of Inspector General

Semiannual Report to Congress

FY 2008 - 1st Half

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KEY OIG ACCOMPLISHMENTS IN THIS REPORTING PERIOD

RESULTS IN KEY CATEGORIES

SUMMARY OF AUDIT ACTIVITIES

Reports Issued

Number of Reports	30
Number of Recommendations	180

Management Decisions Made

Number of Reports	22
Number of Recommendations	180

**Total Dollar Impact (Millions)
of Management-Decided Reports** \$363.8

Questioned/Unsupported Costs \$30.6

Funds To Be Put to Better Use \$333.2

SUMMARY OF INVESTIGATIVE ACTIVITIES

Reports Issued 146

Impact of Investigations

Indictments	125
Convictions	374
Arrests	182

Total Dollar Impact (Millions) \$34.7

Administrative Sanctions 54

OIG MAJOR USDA MANAGEMENT CHALLENGES (August 2007)

1) Interagency Communications, Coordination, and Program Integration Need Improvement
Related material can be found on pages 3-4.

2) Implementation of Strong, Integrated Management Control (Internal Control) Systems Still Needed
Related material can be found on pages 5, 8-11, 14-15, 19, and 23.

3) Continuing Improvements Needed in Information Technology Security
Related material can be found on pages 17-18.

4) Implementation of Improper Payment Act Requirements Needs Improvement
Related material can be found on pages 17-19.

5) Departmental Efforts and Initiatives in Homeland Security Need To Be Maintained
Related material can be found on pages 3-5 and 11.

6) Material Weaknesses Continue To Persist in Civil Rights Control Structure and Environment
No work was begun during this reporting period.

7) USDA Needs To Develop a Proactive, Integrated Strategy To Assist American Producers To Meet the Global Trade Challenge
No work was begun during this reporting period.

8) Better Forest Service Management and Community Action Needed To Improve the Health of the National Forests and Reduce the Cost of Fighting Fires
Related material can be found on page 4.

9) Improved Controls Needed for Food Safety Inspection Systems
Related material can be found on pages 1-2.

Message From the Inspector General

I am pleased to provide the Semiannual Report to Congress for the Office of Inspector General (OIG), U.S. Department of Agriculture (USDA), for the 6-month period that ended March 31, 2008. This report summarizes the most significant OIG activities during the period, organized according to the program goals set forth in our current strategic plan, as shown below.

- **Safety, Security, and Public Health** – Prompted by a Congressional request, OIG reviewed the Food Safety and Inspection Service (FSIS) plan to implement a risk-based inspection system for processing facilities. OIG recommended that FSIS complete its plan for improving the use of food safety assessments, ensure its risk analyses are thoroughly documented, and implement oversight over critical information technology systems. We also responded to then Acting Secretary Conner's request to review *E. coli* sampling and testing. Our investigative work resulted in sentencing in cases of dogfighting involving a professional athlete and the sale of adulterated foods.
- **Integrity of Benefits** – Our investigative cases involving food stamps, infant formula, tobacco marketing, and farm loans yielded significant prison sentences and court-ordered restitutions in the millions of dollars. Our audit work disclosed that, following the 2005 hurricanes, producers could not always document Tree Indemnity Program payments and that the Farm Service Agency needs to improve controls over the approval and distribution of Aquaculture Grant Program funds. An inspection found that a large dairy firm misreported nonfat dry milk pricing data; the National Agricultural Statistics Service agreed to strengthen controls over future data reporting.
- **Management Improvement Initiatives** – Our audits found that the Risk Management Agency needs to further strengthen financial management controls over reinsurance companies and that the Food and Nutrition Service needs to improve information technology security in its Store Tracking and Redemption System II. The USDA FY 2007 Consolidated Financial Statements received a qualified audit opinion because of deficiencies we identified after Rural Development made significant revisions to certain of its credit reform processes. Our investigations yielded a number of sentencing for embezzlement, fraud, and possession of child pornography.
- **Stewardship Over Natural Resources** – Our audit work after the 2005 hurricanes found that the Natural Resources Conservation Service should evaluate funding decisions for multi-State disaster areas to ensure that available funding can be put to the highest priority or best use.

During this reporting period, we conducted successful investigations and audits that led to 182 arrests, 374 convictions, \$34.7 million in recoveries and restitutions, 143 program improvement recommendations, and \$363.8 million in financial recommendations. In response to some of our program improvement recommendations, the Forest Service agreed to develop an overall plan to complete airworthiness assessments for its firefighting aircraft, and the Rural Utilities Service agreed to develop a formal strategy to maximize the effectiveness of renewable energy projects.

These monetary results and program improvements would not have been possible without the continuing interest and support of Secretary Schafer, Deputy Secretary Conner, and the Congress. Their strong commitment is vital to our mutual success in improving USDA programs and operations.



Phyllis K. Fong
Inspector General

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Safety, Security, and Public Health

OIG Strategic Goal 1:

Strengthen USDA's ability to implement safety and security measures to protect the public health as well as agricultural and Departmental resources.

To help USDA and the American people meet critical challenges in safety, security, and public health, OIG provides independent and professional audits, inspections, and investigations in these areas. Our work addresses such issues as the ongoing challenges of agricultural inspection activities, safety of the food supply, and homeland security.

In the first half of fiscal year (FY) 2008, we devoted 20 percent of our total direct resources to Goal 1, with 98.8 percent of these resources assigned to critical/high-impact work. A total of 59.5 percent of our audit or inspection recommendations under Goal 1 resulted in management decision within 1 year, and 80 percent of our investigative cases had criminal, civil, or administrative action taken. OIG issued six audit reports under Goal 1 during this reporting period. OIG's investigations under Goal 1 yielded 22 indictments, 277 convictions, and about \$1.8 million in monetary results during this reporting period.

Management Challenges Addressed Under Goal 1

- Interagency Communications, Coordination, and Program Integration Need Improvement (also under Goals 2, 3, and 4)
- Continuing Improvements Needed in Information Technology (IT) Security (also under Goal 3)
- Departmental Efforts and Initiatives in Homeland Security Need To Be Maintained
- USDA Needs To Develop a Proactive, Integrated Strategy To Assist American Producers To Meet the Global Trade Challenge (also under Goal 3)
- Better Forest Service Management and Community Action Needed To Improve the Health of the National Forests and Reduce the Cost of Fighting Fires (also under Goals 3 and 4)
- Improved Controls Needed for Food Safety Inspection Systems

EXAMPLES OF AUDIT, INSPECTION, AND INVESTIGATIVE WORK FOR GOAL 1

Risk-Based Inspection (RBI) at Meat and Poultry Processing Establishments

In February 2007, the Food Safety and Inspection Service (FSIS) announced its plan to implement a pilot RBI program for meat and poultry processing establishments. Congress and other stakeholders became concerned that FSIS was beginning to implement RBI before it had addressed weaknesses reported in prior OIG audit reports on FSIS' meat and inspection program and that issues regarding the agency's methodology for determining risk had not been addressed. Congress directed FSIS to refrain from implementing RBI until OIG had studied

the program and FSIS had resolved the issues identified. OIG consequently initiated an audit of the proposed RBI program and found weaknesses in (1) assessments of establishments' food safety systems, (2) security over IT resources and application controls, (3) data management infrastructure and analyses, and (4) management control structure.

FSIS had planned to begin implementation of RBI before determining the data needed for a comprehensive risk determination at processing establishments. FSIS planned to implement an initial phase of RBI using available data and to continue collecting and refining data and data needs in subsequent phases. In addition, FSIS does not have adequate management control processes or an integrated IT system in place. OIG made 35 recommendations to improve

FSIS' management controls, data collection and analyses processes, and IT infrastructure. FSIS agreed with all of these recommendations and has already begun to take responsive action. For example, FSIS is refining and expanding the data used in its RBI calculation. FSIS also accelerated improvements to its *E. coli* sampling methodology, as well as its plans to review the control of this pathogen by beef suppliers and processors. In addition, FSIS awarded a contract to build its new Public Health Information System to better integrate and consolidate its numerous applications that collect information on activities to ensure the safety of meat, poultry, and egg products. (Audit Report No. 24601-07-Hy, Issues Impacting the Development of RBI at Meat and Poultry Processing Establishments)

***E. coli* Sampling and Testing**

After a large meat recall in the fall of 2007, the Deputy Secretary (then Acting Secretary) requested that OIG determine whether improvements could be made to FSIS sampling and testing procedures for *E. coli*, and identify any relative costs and benefits associated with these improvements. Our memorandum to the Deputy Secretary provided our observations and suggestions based on our interviews with representatives from other agencies, academia, and the quick-service restaurant industry. We noted that, in the past, OIG has consistently reported concerns with the adequacy of establishments' Hazard Analysis and Critical Control Point (HACCP) plans and commented that clearer criteria might be needed to adequately evaluate the assumptions on which HACCP plans were based. Although the meat industry now performs significant testing of its own and publishes best practices for members to follow, FSIS does not have a formal campaign for educating the meat industry and encouraging the implementation of best practices. In addition, FSIS could minimize the number of discarded samples and reduce the turnaround time for *E. coli* screening tests.

FSIS is completing questionnaires regarding the number of establishments using specific types of validated interventions (e.g., hot water and acid washes, steam vacuuming, steam pasteurization) in use at each establishment. This should provide FSIS with the data necessary to better target *E. coli* sampling and testing and to adjust programs or policies as needed. (Audit Report No. 24601-04-KC, FSIS Sampling and Testing for *E. coli*)

President of Food Processing Company Sentenced for Sale of Adulterated Foods

In November 2007, the president of a food processing company was sentenced in the Southern District of Florida to 15 months in prison and 36 months of supervised release, fined \$5,000, and ordered to pay \$200,000 in restitution to the University of Florida to support its food safety programs. The company president had been charged with a scheme to defraud through the sale of adulterated foods and a scheme to introduce misbranded food into interstate commerce. Poultry and seafood products contaminated with *Listeria monocytogenes*, a potentially fatal pathogenic bacterium that can be found in ready-to-eat food products, were misbranded and shipped to several locations throughout the United States and Canada. This case was worked jointly with the Food and Drug Administration's (FDA) Office of Criminal Investigation.

FSIS' Evaluation of Carbon Monoxide (CO)-Based Modified Atmospheric Packaging (MAP) Under the Generally Recognized as Safe (GRAS) Regulatory Process

Overall, our review found that the suitability determinations made by FSIS regarding CO-based MAP systems were consistent with the agency's understanding of its memorandum of understanding (MOU) with FDA, the Federal Meat Inspection Act, and FSIS regulations. FDA evaluated the safety, and FSIS the suitability, of CO-based MAP for use in meat in accordance with each agency's respective authorities, under a category of food ingredients known as GRAS.

However, the standard (called the "permanent change standard") and some of the related terminology (including the terms "better or of greater value" and "processing aids") used by FSIS in its oversight of these matters have not been formally adopted in agency guidance or policy. We also found that some of the information FSIS uses is gathered by FDA under a 1997 proposed rule, rather than under a final rule, as required by law. FSIS needs to consult with USDA's Office of the General Counsel (OGC) regarding potential issues for the agency when completing GRAS reviews conducted under processes established by a proposed rule that has not been finalized.

FSIS agreed to issue written guidance on the definitions of the

terms “better or of greater value” and “processing aids” and will consult with OGC. (Inspection Report No. 24901-01-IR, FSIS’ Evaluation of CO-Based MAP Under the GRAS Regulatory Process)

Joint Investigation of Dogfighting Activities Results in Professional Athlete Being Sentenced and Ordered To Pay \$928,073 in Restitution

As reported last period, OIG conducted a joint investigation into dogfighting activities that has resulted in a professional athlete being sentenced in Federal court in Virginia in December 2007 to 23 months of imprisonment and 36 months of supervised release and ordered to pay \$928,073 in restitution to fund the cost of caring for pit bulls seized by the U.S. Government. From November 2007 through January 2008, four other individuals were sentenced as co-conspirators, respectively, to 3 years of supervised probation and 2, 18, and 21 months in prison, as well as 36 months of supervised release for the three sentenced to prison terms. The investigation disclosed that the five were actively involved in dogfighting activities, and structures designed to breed, house, and fight dogs were found on the professional athlete’s property. This investigation was conducted jointly with the Virginia State Police and the Surry County Sheriff’s Office.

Continued Monitoring of Avian Influenza Preparations

Our audit found that USDA took action on each lead task we reviewed that was assigned to it as part of the Implementation Plan of the National Strategy for Pandemic Influenza, released in May 2006. According to the President’s Homeland Security Council (HSC), USDA met the measures of performance for all the tasks completed through May 2007.

However, we found that USDA did not test the newly developed procedures, nor did it assess and evaluate the revised procedures to ensure they worked as designed. USDA also did not correctly report the status of two major Animal and Plant Health Inspection Service (APHIS) functions to HSC. In addition, APHIS did not fully implement two of the eight recommendations from our prior report on the oversight of avian influenza (Audit Report No. 33099-11-Hy, APHIS Oversight of Avian Influenza, issued June 2006), as of September 2007.

The recommendations were intended to strengthen APHIS’ ability to respond to an avian influenza outbreak.

APHIS agreed with our recommendations to establish a control mechanism to accurately report information on assigned tasks, provide HSC with corrected information for the inaccurately reported tasks, monitor support tasks and coordinate with HSC, and develop plans for testing the success of tasks that have not been tested. (Audit Report No. 33701-01-Hy, USDA’s Implementation of the National Strategy for Pandemic Influenza)

Import Controls Over Live Animals Need To Be Strengthened

Our audit concluded that APHIS’ import controls need to be strengthened and automated to prevent, detect, and address the entry of live animals that do not meet import requirements. The United States imported approximately 20 million animals, mostly from Canada and Mexico, during FY 2006. APHIS establishes import policies and works in conjunction with the U.S. Department of Homeland Security’s (DHS) U.S. Customs and Border Protection (CBP) at the borders and FSIS officials at slaughter establishments.

APHIS did not have adequate processes in place to follow up and determine whether individual problems detected represent a larger systemic noncompliance that needs to be addressed by agency inspection personnel or the country of origin. APHIS also does not have effective systems or controls for approving and/or tracking live animals in the United States. We found that APHIS officials were not aware that animal shipments entered the country without inspection, and they could not always demonstrate that all restricted animals were slaughtered. In addition, we found that APHIS could not account for all official USDA seals used to secure the animal conveyance after inspection at the port of entry. Because these issues represented potential homeland security weaknesses, we issued a Management Alert in May 2007 and made recommendations for immediate corrective action.

APHIS generally agreed with our recommendations to enhance the controls over the importation of live animals and responded with plans or actions to strengthen or implement additional animal import controls. (Audit Report No. 50601-12-Ch,

USDA Controls Over the Importation and Movement of Live Animals)

APHIS Programs for Agricultural Import Permits

In a followup to our March 2003 audit, we found that APHIS had made some improvements to the security of its processes for issuing import permits for agricultural products and in its procedures to screen packages entering the country under these permits. Our earlier audit had identified several weaknesses that could allow unauthorized persons to gain access to APHIS' permit program and use it to bring prohibited materials into the country. In our current audit, we found that APHIS' new permit system (ePermits), which would provide much greater control and accountability than was previously possible, had not been fully implemented even though this had been projected for completion by December 2005, leaving safeguards inadequate. In addition, procedures for screening incoming permit materials at the ports still needed to be clarified and strengthened, particularly at those ports where permit screening is performed by DHS' CBP rather than APHIS. APHIS also needed to implement a system to perform compliance inspections of active permit holders, as previously agreed; APHIS relied on field personnel to perform these, but had no mechanism to ensure they were being done.

APHIS agreed to develop timeframes to implement its ePermits system, incorporating the ability to identify permit applicants who require inspections and to track permit activity at the ports of entry. APHIS also agreed to issue instructions to inspection personnel on screening procedures, making all accompanying permit documents accountable documents, and ensuring that compliance inspections are performed as required. (Audit Report No. 33601-9-Ch, Controls Over Permits To Import Agricultural Products)

FS Needs Overall Plan To Ensure Airworthiness of Its Firefighting Aircraft

We found that the Forest Service (FS) needs to develop and implement a plan to ensure the airworthiness of its firefighting aircraft. FS uses aircraft for firefighting, which often stresses the aircraft well beyond the limits for which they were designed, so it is imperative to ensure that they can withstand the fire environment. The Federal Aviation Administration (FAA) does not do this because FS firefighting aircraft generally are exempt from FAA requirements and oversight. FS has assumed this responsibility, but without the technical knowledge and financial backing to do so adequately.

FS does not ensure that qualified personnel inspect and maintain all of the firefighting planes and helicopters it leases from contractors. In addition, FS has lacked an independent, full-time aviation safety manager in its Southern Region since 2004. Instead, it has assigned aviation safety responsibilities to its aviation officer, creating a conflict of interest between safety concerns and flight operations.

FS agreed to develop an overall plan to complete airworthiness assessments for its firefighting aircraft and to require States to assess the airworthiness of aircraft borrowed from FS and used on Federal fires. FS also agreed to require (1) aircraft maintenance inspectors to possess a current airframe and powerplant certificate issued by FAA and to meet the agency's requirements for inspection authorization, and (2) contractors to certify as to their mechanics' qualifications. In addition, FS agreed to require that all its regions have qualified aviation safety managers on staff and, when a vacancy develops, make filling such positions a high priority. (Audit Report No. 08601-48-SF, FS Air Safety Program)

GOVERNMENTWIDE ACTIVITIES – GOAL 1*Participation on Committees, Working Groups, and Task Forces*

- An OIG investigator is assigned full time to the Federal Bureau of Investigation's (FBI) National Joint Terrorism Task Force (NJTTF). The agent attends the NJTTF threat briefings and provides a variety of products related to terrorist intelligence to OIG and other agencies and offices within the Department. OIG investigators nationwide are assigned to the FBI's local Joint Terrorism Task Forces (JTTFs). OIG's participation on the JTTFs has provided an excellent conduit for sharing critical law enforcement intelligence and has served to help broaden the knowledge of the FBI and other law enforcement agencies about conducting criminal investigations with a nexus to the food and agriculture sector.
- The USDA Inspector General (IG) is a member of the President's Council on Integrity and Efficiency (PCIE) Homeland Security Roundtable. The mission of the roundtable is to support the IG community by sharing information, identifying best practices, and participating in multi-agency projects related to homeland security issues on an ad hoc basis with various external organizations and governmental entities.

ONGOING AND PLANNED REVIEWS FOR GOAL 1

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

- oversight of the National Organic Program (Agricultural Marketing Service (AMS)),
- followup on prior firefighter safety audits (FS),
- FS contracted labor crews,
- firefighting succession plans (FS),
- replacement plan for firefighting aerial resources (FS),
- national fire plan reporting system (FS),
- fire program analysis system (FS),
- implementation of flood control dams rehabilitation (Natural Resources Conservation Service (NRCS)),
- USDA's role in the export of genetically engineered agricultural commodities (APHIS, Agricultural Research Service (ARS), Cooperative State Research, Education, and Extension Service (CSREES), Foreign Agricultural Service (FAS), and Grain Inspection, Packers and Stockyard Administration (GIPSA)),
- controls over genetically engineered animals and insects research (ARS, CSREES, and APHIS),
- controls over genetically engineered food and agriculture imports (APHIS),
- FSIS oversight of meat and poultry imports,
- FSIS processes for handling meat and poultry recalls,
- controls over APHIS pilot certifications,
- followup of APHIS licensing of animal exhibitors,
- controls over animal import centers (APHIS),
- Food Emergency Response Network (FSIS),
- implementation of enhancements for specified-risk materials (SRM) violations and improved inspection controls over SRMs (FSIS),
- APHIS inspection of breeders,
- APHIS monitoring of adverse event reporting,
- FSIS food defense verification procedures,
- impact of investigation and enforcement services on APHIS programs,
- bovine spongiform encephalopathy maintenance sampling – phase IV (APHIS),
- national residue program in cull cow plants (FSIS), and
- evaluation of FSIS' management controls over pre-slaughter activities.

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

Integrity of Benefits

OIG Strategic Goal 2:

Reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to program participants.

OIG conducts audits, inspections, and investigations to ensure or restore integrity in the various benefit and entitlement programs of USDA, including a variety of programs that provide payments directly and indirectly to individuals or entities. The size of these programs is enormous: the Food Stamp Program (FSP) alone accounts for approximately \$40 billion in benefits annually, while well over \$20 billion annually is spent on USDA farm programs. Intended beneficiaries of these programs include the working poor, hurricane and other disaster victims, and schoolchildren, as well as farmers and producers. These programs support nutrition, farm production, and rural development.

In the first half of FY 2008, we devoted 40.3 percent of our total direct resources to Goal 2, with 90.7 percent of these resources assigned to critical/high-impact work. A total of 78.3 percent of our audit or inspection recommendations under Goal 2 resulted in management decision within 1 year, and 83.7 percent of our investigative cases had criminal, civil, or administrative action taken. OIG issued 10 audit reports under Goal 2 during this reporting period. OIG investigations under Goal 2 yielded 98 indictments, 92 convictions, and about \$31.1 million in monetary results during the reporting period.

Management Challenges Addressed Under Goal 2

- Interagency Communications, Coordination, and Program Integration Need Improvement (also under Goals 1, 3, and 4)
- Implementation of Strong, Integrated Management Control (Internal Control) Systems Still Needed (also under Goal 3)

EXAMPLES OF AUDIT, INSPECTION, AND INVESTIGATIVE WORK FOR GOAL 2

Food Stamp Fraud Cases Nationwide Result in Significant Prison Sentences and Court-Ordered Restitutions of \$6.6 Million

- In November 2007, a California grocery store employee was sentenced to 57 months in prison and ordered to pay \$2.7 million in restitution by a Federal court in the Central District of California. The owner of the store and the employee had trafficked in Electronic Benefit Transfer (EBT) benefits from February 2004 to November 2006. Search warrants resulted in the seizure of more than \$100,000 in cash, multiple bank accounts, and a 2006 luxury vehicle. Both the store owner and the employee were charged with multiple violations, including food stamp trafficking and wire fraud. The store owner fled while on bond and is currently a fugitive.
- In February 2008, the owner of a Louisiana grocery store was sentenced in Federal court in the Middle District of Louisiana to serve 36 months in prison and 36 months of supervised release, and ordered to pay \$1,854,921 in restitution for her role in discounting EBT benefits for cash. From December 2004 to June 2006, the grocery store owner was involved in a food stamp benefit trafficking scheme that resulted in losses to USDA of more than \$1.8 million.
- In February 2008, a New York grocery store manager was sentenced in the Southern District of New York to serve 30 months in prison and 36 months of supervised release, and was ordered to pay restitution of \$865,000. The OIG investigation disclosed that, from January 2000 to May 2004, the grocery store owner and manager engaged in food stamp trafficking that resulted in fraud of at least \$1.47 million. In June 2007, the grocery store owner pled guilty in Federal court to conspiracy, food stamp trafficking, and wire fraud. The store owner is now a fugitive. This investigation was conducted jointly with the FBI.
- In January and February 2008, the owner, manager, and two clerks of a small-sized convenience store in Minnesota were sentenced in Federal court in the District of Minnesota for their roles in exchanging EBT benefits for cash. The manager, whose brother is serving time in Federal prison in Ohio for similar activities, was sentenced to serve 36 months in prison and 36 months of probation; the store owner was sentenced to 24 months in prison and 36 months of probation; one

clerk was sentenced to 18 months in prison and 36 months of probation; and another clerk received probation. The owner and manager were ordered to pay \$757,321 in joint restitution, and one of their employees was ordered to pay \$402,303 in restitution. The investigation disclosed that, between September 2006 and June 2007, the convenience store redeemed approximately \$840,371 in food stamp benefits. This investigation was worked jointly with the St. Paul Police Department, the FBI, the Internal Revenue Service (IRS), and the Metro Gang Strike Force.

- In December 2007, the owner and chief executive officer of a corporation was sentenced in the Eastern District of North Carolina to 27 months in prison and ordered to pay a \$50,000 fine and \$26,988 in restitution for food stamp fraud and failure to appear at sentencing. The corporation had contracted with the Food and Nutrition Service (FNS) and various counties in numerous States to distribute food stamps to individual county governments. The investigation discovered that several thousand false documents were presented to FNS to cover up the theft of approximately \$1.7 million in food stamps over 2 years. The corporation routinely destroyed documentation for monthly distributions, making an accurate audit trail impossible. The president, vice president, accountant, and corporation pled guilty to multiple felony counts. In November 2002, the owner/CEO was convicted but fled before sentencing. In December 2005, he was arrested by the U.S. Marshals Service in Savannah, Georgia, under an assumed identity, indicted for failing to appear at sentencing, and convicted at trial in March 2007. This investigation was conducted jointly with the U.S. Postal Inspection Service.

Sentences Are Obtained for Two Infant Formula Cases

OIG investigates cases involving stolen infant formula, which is the main product purchased with Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) vouchers. Intelligence from a variety of law enforcement sources has revealed that such crimes may be widespread throughout the Nation. The formula is stolen from large retail stores, often by members of organized shoplifting rings, who resell it to smaller grocery stores or warehouses dealing in stolen goods. Stolen infant formula is no longer part of the retail process, and there is no guarantee that it is safe and healthy for America's infants.

- In December 2007, five members of two organized crime organizations in Georgia received sentences in Federal prison ranging from 27 to 60 months for conspiracy, 42 to 65 months for interstate transportation of stolen property, and 36 months of supervised release. The OIG investigation disclosed that a total of approximately \$6.48 million worth of infant formula and razors was shoplifted in the Atlanta metro area and then transported in rental trucks to New York. This investigation was conducted jointly with FDA and the Atlanta Police Department.
- In October 2007, a Federal court in the Southern District of Ohio sentenced a store owner to 97 months of imprisonment, 36 months of probation, forfeiture of \$1.5 million, and forfeiture of \$791,025 in seized currency after a guilty plea for money laundering and conspiracy. The investigation disclosed that the store owner utilized his wholesale business to store and distribute pseudoephedrine (a decongestant) and other stolen/fraudulently obtained items, including infant formula, baby products, personal hygiene products, and cigarettes. This was a joint investigation with the Drug Enforcement Administration, the Secret Service, the FBI, and State and local law enforcement.

Two Summer Food Service Program (SFSP) Sponsors Received Excess Reimbursements

Our audit found that two private nonprofit sponsors operating FNS' SFSP in Georgia received excess reimbursement of more than \$215,000 of the \$1.28 million in program funds they received in 2005 and 2006. The sponsors increased their reimbursement by block-claiming (claiming the same number of meals for three or more consecutive days), serving meals at unapproved sites, claiming more meals than allowed at approved sites, operating more than the allowed number of sites, and claiming meals that were not kept refrigerated at the temperature required for food safety. In addition, for 2005 and 2006, the State agency that oversees the program had declared 24 private nonprofit sponsors as problematic and 16 sponsors as seriously deficient in program administration. However, the State was not enforcing its own policy to remove sponsors from the program if their operations were found to be seriously deficient. FNS also had not ensured that corrective actions were taken on problems noted during its reviews of the program.

We recommended that FNS (1) establish controls to follow up on all reviews of sponsors to ensure corrective actions have

been implemented, (2) instruct the State agency to evaluate the conditions disclosed during this audit and determine whether the two sponsors warrant removal from the program, and (3) require the State agency to initiate steps to recover \$215,000 in questionable reimbursements received by the sponsors. FNS generally concurred with the findings and is working with OIG to resolve technical matters related to OIG's recommendations. (Audit Report No. 27099-63-At, SFSP in Georgia)

FNS Food Stamp Employment and Training (E&T) Program

We found that because FNS has not established performance measures to determine the success of the Food Stamp E&T program as required by the Government Performance and Results Act, it cannot know whether its program, with \$110 million in annual expenditures, is meeting its goals or achieving results. In North Carolina, our audit also found that a county manager in an employment services office modified the hours employees actually worked to match the hours budgeted without the employees' knowledge. These changes to timesheets caused different Federal programs to be either overcharged or undercharged expenses for operating their programs. In addition, the North Carolina State agency had not reconciled FY 2005 funds for the E&T program, and therefore could not determine whether Federal funds totaling more than \$212,000 needed to be deobligated.

FNS agreed to direct the North Carolina State agency to prohibit altering employees' timesheets and to reconcile its accounts. FNS did not agree to establish performance measures for the E&T program or to require States to submit performance data. OIG maintains that FNS must measure the performance of the program because the Food Stamp Act currently requires that FNS monitor the State agencies "to measure the effectiveness of the program to increase the numbers of household members who obtain employment and the numbers of such members who retain employment as a result of their participation in E&T programs." (Audit Report No. 27601-16-At, Food Stamp E&T Program)

Commodity Credit Corporation's (CCC) Bioenergy Program

Our review, prompted by concerns about possible misrepresentations of bioenergy production by producers, determined that the Farm Service Agency's (FSA) internal controls were sufficient to ensure the integrity of CCC's Bioenergy Program. Under the program, FSA made cash payments to bioenergy companies that increased their purchases of corn and other commodities to expand production of ethanol and biodiesel. The \$544.4 million program began in FY 2001 and was discontinued in FY 2006, when the last available funds were expended.

We found that for program payment purposes, FSA used standard conversion rates (in gallons per bushel), rather than each plant's actual conversion rate, to convert ethanol and biodiesel gallons produced to commodity quantities used in production. Our review of four producers found the producers' actual conversion rates were greater than the standard and, because the program did not account for these efficiencies, these producers effectively received premiums on their Bioenergy Program payments. In addition, we noted that CCC requested ethanol production data using terminology unfamiliar to producers, leading to confusion on the part of some ethanol producers regarding correct reporting of their production. If a similar Bioenergy Program is offered or continued in the future, FSA may want to (1) reflect actual production efficiencies in the rates used to convert increased biofuel production (in gallons) to increased commodity purchases for payment, and (2) request ethanol production data using ethanol industry terminology to ensure that producers properly report their ethanol production data. We made no formal recommendations because the program has been discontinued. (Audit Report No. 03601-25-KC, CCC Bioenergy Program)

Producers Could Not Always Document Tree Indemnity Program (TIP) Payments

Of the 40 producers we interviewed in an audit of FSA's TIP, 28 could not provide replanting, rehabilitation, cleanup, and/or debris removal cost documentation adequate to support \$545,230 in TIP payments. TIP provided funds to eligible owners of commercially grown fruit trees, nut trees,

bushes, and vines that produce an annual crop and were lost or damaged due to 2005 Hurricanes Dennis, Katrina, Ophelia, Rita, or Wilma. Producers must have incurred damages to their trees, bushes, and/or vines that would cost at least \$90 per acre for replanting, rehabilitation, cleanup, and/or debris removal.

Although FSA informed the producers that they were required to document and maintain support for their costs, and that they would be required to provide such documentation to FSA in the event the producers were selected for spot check, FSA did not provide producers with guidance detailing what constituted adequate documentation. Also, at the time of our audit, FSA had not issued procedures to spot-check producers' documentation of TIP-related costs.

We recommended that FSA provide producers with detailed guidance on maintaining acceptable documentation of costs for future programs and finalize and implement spot-check procedures to verify documentation supporting TIP payments. We also recommended that FSA recover the \$545,230 in unsupported TIP payments. The agency is implementing corrective actions based on the report. (Audit Report No. 03601-13-At, Hurricane Relief Initiative – TIP)

Controls Over the Approval and Distribution of Aquaculture Grant Program (AGP) Funds

We found that FSA needs to improve controls over the approval and distribution of future grant funds such as those distributed under AGP. AGP provided \$25 million in block grants to Alabama, Florida, Louisiana, Mississippi, North Carolina, and Texas to mitigate producers' aquaculture losses due to the 2005 Hurricanes Dennis, Katrina, Ophelia, Rita, and Wilma. We found that FSA did not allocate the \$25 million in AGP funds based on estimated losses; instead, it made allocations based on the number of farms and value of production in the States. In addition, two States, on their own accord and counter to their agreements with FSA, compensated producers based on criteria other than the producers' losses: Mississippi paid producers based on feed purchased, and Alabama paid producers based on surface acres of water. Moreover, because of different methodologies, Louisiana paid certain counties at a higher rate, but could not provide evidence of how it determined which counties would receive this higher rate; Mississippi

compensated catfish producers based on the amount of feed purchased, and compensated producers of all other species on the amount of actual loss. These inconsistent approaches are ultimately attributable to FSA's lack of adequate control over the States' implementation of the program.

FSA agreed to develop a methodology for future grant programs to better direct grant funds to the areas most directly affected. FSA also agreed to develop and implement controls for future grant programs to ensure that such programs achieve their intended results and treat program participants equitably. (Audit Report No. 03601-48-Te, 2005 Hurricane Initiatives: Aquaculture Grants to States)

Joint Investigation Results in Two North Carolina Men Being Convicted and Ordered To Forfeit \$4.5 Million for Conspiracy Regarding FSA's Tobacco Program

In October 2007, a Federal court held two North Carolina men jointly and severally liable for a \$4.5 million forfeiture judgment. The two North Carolina men were found guilty of conspiracy to structure financial transactions to avoid filing Currency Transaction Reports (CTRs) and to commit fraud regarding the FSA Burley Tobacco Marketing Program. The men used an extensive network of accomplices, family, and friends to conduct more than \$4.5 million of transactions in increments under \$10,000 to avoid filing the required CTR reports. It was determined that both men intentionally engaged in fraudulent actions regarding the proper identification of tobacco grown under this FSA program. This investigation was conducted jointly with the IRS, the FBI, and the Tennessee Bureau of Investigation.

Illinois Producer Sentenced to Prison in Conversion Investigation

In November 2007, a producer from Illinois was sentenced in Federal court to serve 21 months in prison, followed by 36 months of supervised release, and ordered to pay \$192,698 in restitution to USDA. The producer obtained two CCC farm-stored loans, totaling \$167,190, and pledged corn and soybeans as collateral for the loans. The OIG investigation disclosed that the producer converted the loan collateral to his

own use without authorization from FSA to sell the collateral and did not apply any of the proceeds derived from the grain sales to his outstanding FSA loans.

Dairy Firm Misreported Nonfat Dry Milk Pricing Data

Our review found that a large dairy firm misreported nonfat dry milk volume and price information when submitting its weekly reports to the National Agricultural Statistics Service (NASS), beginning in 2002. The incorrect data were aggregated with data from other firms, published by NASS in the *Dairy Products Prices* report, and factored into AMS' Federal milk marketing order formula. According to AMS, this caused the total value of milk to be understated by \$50 million between April 29, 2006, and April 14, 2007.

OIG recommended that NASS request all reporting firms to review their previously submitted data and provide any revisions for the period from January 4, 2002, through April 22, 2006. AMS will then be able to utilize accurate information in its milk pricing formulas to determine the real impact of the understatement or overstatement of the value of milk. NASS also should review and modify the questions on the Annual Validation Worksheet to solicit an accurate response for each question and verify that all field offices have implemented NASS' plan to complete the Annual Validation Worksheet for all reporting firms during a site visit. In addition, NASS needs to modify the weekly data collection instruments by requiring data providers to confirm that they fully understand the requirements they must meet to accurately report their firm's data and verify that changes to strengthen the internal controls for the data included in the *Dairy Products Prices* report have been implemented.

NASS has implemented changes in its internal controls to improve the data collection and review process for the *Dairy Products Prices* report. We concurred with the agency's response and have reached management decision for all five recommendations. (Inspection Report No. 26901-01-IR, Survey and Estimation Internal Controls for Nonfat Dry Milk and the *Dairy Products Prices* Report)

GOVERNMENTWIDE ACTIVITIES – GOAL 2

Participation on Committees, Working Groups, and Task Forces

- In response to the devastation in the Gulf Coast caused by Hurricanes Katrina, Rita, and Wilma, the PCIE Homeland Security Roundtable created a Disaster Recovery Working Group, now in its third year. USDA OIG and 17 other Inspectors General have been meeting on a quarterly basis to discuss their experiences in auditing and investigating hurricane recovery efforts. Topics covered, in addition to the ongoing work, include coordination between Departments, data-sharing to prevent duplicate assistance, contracting issues, preparation for future disasters, and overall lessons learned.
- OIG special agents have been participating in a Hurricane Katrina/Rita Fraud Task Force since January 2006. From November 1, 2005, to date, OIG has conducted 48 cases in which FNS, FSA, and Rural Development (RD) have been defrauded by individuals who have submitted false claims or provided false statements to obtain Federal benefits. From June 2006 to date, 88 individuals have been indicted, 30 have been convicted and sentenced, and fines and restitution thus far have totaled \$26,725 and \$451,975, respectively. The task force is expected to continue through FY 2009.
- OIG investigators are participating on a task force to investigate criminal violations of the Food Stamp Program and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Members include the Michigan State Police and IRS' Criminal Investigation organization. The FBI, Social Security Administration OIG, and Immigration and Customs Enforcement have provided assistance during search and arrest warrant operations. The initiative has resulted in 43 arrests and 28 search warrants served in the

Detroit metropolitan area. Criminal prosecutions are being pursued through the United States Attorney's Office for the Eastern District of Michigan and the Michigan Attorney General's Office. Forfeiture actions have been started by the United States Attorney's Office.

- An OIG investigator has been working with the FBI's Safe Streets Task Force in Indianapolis, Indiana, since 2000. The mission of the task force is to deter street gang and drug-related violence, as well as seek the most significant fugitives wanted for crimes of violence through long-term, proactive, and coordinated teams of Federal, State, and local law enforcement officers and prosecutors.
- An OIG investigator is participating on the Ohio Organized Crime Investigations Commission (OOCIC) Task Force in Dayton, Ohio. OOCIC provides assistance to local law enforcement agencies in the investigation of organized criminal activity. OIG investigators have participated in the OOCIC Task Force since 1996 and have conducted investigations involving welfare recipients, food stamp trafficking, mortgaged farm equipment stolen from farmers, stolen property trafficking, and dogfighting. OIG involvement with the taskforce has resulted in the successful prosecution of more than 145 individuals, with a number of additional cases pending. This has resulted in hundreds of charges for crimes such as Racketeer Influenced and Corrupt Organization Act (RICO) violations, auto theft, breaking and entering, narcotics trafficking, felonious assault, weapons violations, illegal gambling, food stamp trafficking, money laundering, conspiracy, dogfighting, and other criminal violations.

ONGOING AND PLANNED REVIEWS FOR GOAL 2

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

- continued monitoring of EBT implementation (FNS),
- the Child and Adult Care Food Program (FNS),
- WIC vendor monitoring (FNS),
- FSP administrative costs in New Jersey (FNS),
- Rural Business-Cooperative Service's (RBS) Intermediary Relending Program,
- effectiveness and enforcement of debarment and suspension regulations throughout USDA,
- Oklahoma Rural Housing Service (RHS) Rural Rental Housing (RRH) company,
- RHS Texas community connect grants closeout audit,
- controls over issuance of appropriated funds by Delta Regional Authority (RD),
- RD rural area designations,
- RHS controls over management companies in Puerto Rico,
- RHS RRH project insurance maintenance and reserve account funding – Florida,
- RHS RRH maintenance costs and inspection procedures,
- controls over lender activities in RHS' Single Family Housing (SFH) Loan Program,
- RD's rural critical access hospitals,
- RHS Community Facilities Guaranteed Loan Program,
- Rural Utilities Service (RUS) controls over Water and Waste Disposal Loan and Grant Program,
- RUS Water and Wastewater System Grants – Alaska,
- RUS Broadband Loan Programs,

- Farm and Ranch Lands Protection Program, review of non-Governmental organizations (NRCS),
- implementation of the Tobacco Transition Payment (Tobacco Buyout) Program (FSA),
- interest assistance on guaranteed farm loans (FSA),
- review of adjusted gross income limitation (NRCS and FSA),
- effectiveness of status reviews in assessing producer compliance with conservation provisions (NRCS and FSA),
- crop loss and quality adjustments for aflatoxin-infected corn (Risk Management Agency (RMA)),
- price support provisions for pulse crops (FSA),
- commodity programs for peanuts (FSA),
- price discovery efforts for various crops reported nationwide (NASS),
- group risk crop insurance (RMA),
- RMA's implementation of the approved insurance providers' appendix IV/quality control reviews,
- evaluation of RMA's national program operations reviews,
- management controls over new producer status (RMA),
- controls over catastrophic crop underwriting (RMA), and
- penalties assessed for inaccurate reporting of crop acreage (RMA).

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

Management Improvement Initiatives

OIG Strategic Goal 3:

Support USDA in implementing its management improvement initiatives.

OIG conducts audits, inspections, and investigations that focus on such areas as improved financial management and accountability, IT security and management, research, real property management, employee corruption, and the Government Performance and Results Act. Our work in this area is vital because the Department is entrusted with \$128 billion in public resources annually. The effectiveness and efficiency with which USDA manages its assets are critical. USDA depends on IT to efficiently and effectively deliver its programs and provide meaningful and reliable financial

reporting. One of the more significant dangers USDA faces is a cyberattack on its IT infrastructure, whether by terrorists seeking to destroy unique databases or criminals seeking economic gains.

In the first half of FY 2008, we devoted 34.2 percent of our total direct resources to Goal 3, with 98.8 percent of these resources assigned to critical/high-impact work. A total of 91.5 percent of our audit or inspection recommendations under Goal 3 resulted in management decision within 1 year, and 63 percent of our investigative cases had criminal, civil, or administrative action taken. OIG issued 14 audit reports under Goal 3 during this reporting period. OIG investigations under Goal 3 yielded two indictments, no convictions, and \$450,588 in monetary results during the reporting period.

Management Challenges Addressed Under Goal 3

- Interagency Communications, Coordination, and Program Integration Need Improvement (also under Goals 1, 2, and 4)
- Implementation of Strong, Integrated Management Control (Internal Control) Systems Still Needed (also under Goal 2)
- Continuing Improvements Needed in IT Security (also under Goal 1)
- Implementation of Improper Payment Act Requirements Needs Improvement
- Material Weaknesses Continue To Persist in Civil Rights Control Structure and Environment
- USDA Needs To Develop a Proactive, Integrated Strategy To Assist American Producers To Meet the Global Trade Challenge (also under Goal 1)
- Better FS Management and Community Action Needed To Improve the Health of the National Forests and Reduce the Cost of Fighting Fires (also under Goals 1 and 4)

EXAMPLES OF AUDIT, INSPECTION, AND INVESTIGATIVE WORK FOR GOAL 3

Formal Strategy for Renewable Energy Projects Is Needed

Our review determined that RUS' internal controls over its electric loan and grant program, which includes renewable energy projects, were generally adequate. However, we found that RUS did not have a formal strategy to maximize the use of funds set aside for renewable energy projects and to ensure

the effectiveness of these projects. RUS officials believed that they do not need a strategic plan specific to RUS because it is one of the mission areas within RD, and RD has a strategic plan. As a result, RUS has not maximized the use of available methods of funding, such as loan and grant combinations, to satisfy requests for renewable energy grant project funds. By using loan and grant combinations, RUS should be able to use fewer grant funds and more loan funds while maintaining both the applicant's ability to repay the loan and providing sufficient working capital and cashflow to sustain the project. RUS agreed to develop a formal strategy to maximize the effectiveness of

renewable energy projects, including the development of goals and performance measures as well as the use of grant and loan combinations to maximize available loan and grant funds. (Audit Report No. 09601-07-Te, Implementation of Loan and Grant Programs That Promote Renewable Energy)

Emergency Conservation Program (ECP) Helps Producers Rehabilitate Farmland Damaged by 2005 Hurricanes

Overall, we concluded that the flexibility provided to the States by FSA's ECP allowed them to better facilitate producers' timely recovery from damage caused by the successive hurricanes that devastated farmland throughout the Gulf Coast in 2005. FSA State offices were authorized to increase ECP approval limits and waive pre-approval onsite inspections of the extent of damage. However, we did find that FSA county personnel approved applications from both their fellow employees and their superiors, which was not allowed by procedure. Also, although FSA replaced its pre-approval onsite inspections with post-approval spot checks of 25 percent of approved applications, the spot checks did not always provide reasonable assurance that claimed costs were commensurate with the work or services performed; e.g., once debris had been removed, it was difficult to gauge the extent or location of the original damage and, therefore, the actual expenditures required to rehabilitate the land.



Debris at sites OIG visited had been burned or piled at various locations, which made it impractical to verify the extent of the damage. OIG photo.

FSA agreed to review all employee and county committee applications not approved at the appropriate level, remind its State and county office employees of relevant approval authority rules, and develop guidance to limit pre-approval onsite inspection waivers for those types of ECP projects that FSA determines are least capable of being evaluated after rehabilitation work has been performed. The audit was conducted in conjunction with the PCIE as part of its examination of the Federal Government's relief efforts in the aftermath of Hurricanes Katrina and Rita. (Audit Report No. 03601-27-KC, Hurricane Relief Initiatives: ECP)

Financial Management Controls Over Reinsurance Companies

After RMA had incurred more than \$41.7 million in funding closeout operations since 2003 for a failed reinsured company that had been the largest participant in the Federal crop insurance program, OIG and the Government Accountability Office (GAO) made recommendations to RMA to strengthen its management control over reinsured companies. This reporting period, we revisited issues raised in those reports and found that RMA has improved its financial management controls over reinsurance companies, has expanded its financial and operational analyses of those companies, and has conducted compliance reviews of adherence to regulations and policies.

RMA has initiated agreements that enable information sharing with State insurance departments. However, its Reinsurance Services Division still needs to develop written procedures for its operational analyses of reinsured companies now that it has expanded them. Further, it needs to coordinate with State insurance departments to determine what information should be shared and the optimal frequency for sharing it, and then implement a policy to routinely do so. RMA disagreed with our analysis of its coordination with State insurance departments. RMA stated that it provided substantial documentation during the audit to demonstrate that the frequency and quantity of information shared with the States is substantially greater now than it was prior to the cited insurance company's failure. To reach management decision, we need RMA's plan and timetable for coordinating with State insurance regulators on their supplemental information needs, and RMA's plan and corrective action for how it expects to communicate those

needs with the State insurance departments. (Audit Report No. 05099-111-KC, RMA Financial Management Controls Over Reinsurance Companies)

Operation Talon Still Going Strong

OIG began Operation Talon in 1997 to locate and apprehend fugitives, many of them violent offenders, who are current or former food stamp recipients. As of March 31, 2008, Operation Talon had resulted in 11,995 arrests of fugitive felons during joint OIG-State and local law enforcement operations. During this reporting period, OIG agents conducted Talon operations in 4 States, making a total of 215 arrests. OIG combined forces with Federal, State, and local law enforcement agencies to arrest 11 fugitives in Alabama, 8 in California, 154 in Massachusetts, and 42 in New Jersey for offenses including assault, burglary, assorted drug charges, robbery, fraud, forgery, driving under the influence, rape, sex offenses, offenses against family and children, larceny, stolen property, weapons violations, and other offenses.

Former FS Employee Sentenced for Embezzlement

In November 2007, a former FS employee was sentenced in the District of Oregon to serve 21 months in prison and 36 months of supervised release and was ordered to pay restitution of \$642,319. The OIG investigation disclosed that the employee embezzled at least \$642,319 from FS and used the funds for personal use, including gambling. The individual's employment with FS was terminated in August 2007. This case was conducted jointly with IRS Criminal Investigation.

Wife of Montana Sheriff Sentenced for Embezzlement

In January 2008, a former employee of the Montana Department of Public Health and Human Services, who is also the wife of a Montana county sheriff, was sentenced in the District of Montana to serve 54 months in prison, followed by 36 months of probation, and was ordered to pay \$206,233 in restitution to the Montana Department of Public Health and Human Services. The investigation disclosed that, over a 10-year period, the former employee embezzled \$22,377 in

food stamp and \$183,856 in Temporary Assistance for Needy Family (TANF) benefits. The former employee opened and maintained numerous fictitious case files, and had the food stamp and TANF benefits mailed to post office boxes she held in the fictitious names.

Former State Employee Sentenced for Fraudulently Receiving Government Benefits

In October 2007, a former State of Maine employee was sentenced in Federal court in the District of Maine to 12 months in prison, and ordered to pay restitution of \$120,917 and a \$400 court fee for providing false statements to Government agencies to fraudulently receive benefits, including food stamps. The judge also ordered that the individual be deported to Canada upon her release from prison. The individual previously had pled guilty in June 2007 to two counts of submitting false documentation and making false statements to obtain food stamps and other benefits. This investigation was conducted jointly with the U.S. Department of Health and Human Services OIG.

Former Indiana County Employee Working at a USDA Service Center Sentenced for Possession of Child Pornography

In December 2007, a former employee with Allen County's Indiana Soil and Water Conservation District (SWCD) was sentenced in Allen County Superior Court to 24 months of probation for possession of child pornography. As part of the sentencing, the judge ordered the former employee to undergo counseling, to have no unsupervised visits with children under the age of 18, and to register as a sex offender in the State of Indiana. The former employee confessed to using SWCD-owned computers to upload and download child pornography images to and from the Internet while he was working in the USDA Service Center. The former employee also confessed to posting child pornography images to a photo album on a popular Internet site, using a computer at his new place of employment to access the images, and downloading child pornography images to one of his personally owned computers.

FSA's Process for Identifying Improper Payments Results in Reliable Estimates

We concluded that the process FSA was using in 2007 to arrive at a statistically valid estimate of improper payments made in its high-risk programs was adequate and would result in reliable estimates of improper payments. The Department's Chief Financial Officer had requested our evaluation of the process because of questionable reporting in previous years.

We did identify two conditions that could have impacted the estimates but were corrected by FSA before the reporting of final estimates in USDA's Performance and Accountability Report. To determine whether an improper payment had occurred, FSA used a more stringent timeframe for lien searches before disbursement of Marketing Assistance Loans (MAL) than was required by regulation. Lien searches had been performed outside the timeframe FSA specified but before disbursement and obtaining of the required security on loan collateral. FSA agreed that this was improper and revised the determination of an improper payment. We also identified an error in the statistical projection that understated improper payments for the MAL Program by \$176 million. The statistician had failed to use revised payment codes provided by FSA to develop the improper payment estimate. FSA rectified this error.

FSA agreed to ensure that the guidance for conducting improper payment reviews was revised to reflect the revision to the improper payment determination for MAL lien searches, and that controls are implemented to confirm that improper payment estimates are accurately based on the results of payment reviews. (Audit Report No. 03601-0014-Ch, Identification and Reporting of Improper Payments in FSA High-Risk Programs)

IT Security in the Store Tracking and Redemption System II (STARS II) Needs Improvement

FNS properly documented and accredited STARS II and established adequate application controls to ensure that the system contained valid, complete, and accurately processed data. However, we noted some weaknesses that FNS has agreed to address to further strengthen the security of STARS II. This includes the need to (1) improve security over computer resources, (2) implement actions agreed to in

a prior recommendation regarding processing access requests, and (3) finalize the contingency plan for the STARS II primary computer facility, the Benefit Redemption System Branch (BRSB). Also, the Dallas Field Office did not adhere to established procedures for obtaining supervisory approval before authorizing stores in STARS II.

In response to our audit, FNS (1) agreed to implement controls to ensure that only authorized individuals have physical access to restricted areas, (2) has developed and implemented controls to ensure sensitive data are removed from damaged hard drives, (3) is developing an automated process for processing system access requests and approval and agreed to continually update the BRSB contingency plan, and (4) instructed the Dallas Field Office to follow established procedures for authorizing stores in STARS II and reviewing system data for significant changes. (Audit Report No. 27501-02-Hy, Application Control Review of FNS' STARS II)

USDA FY 2007/2006 Consolidated Financial Statements – Qualified Opinion in FY 2007

The USDA FY 2007 Consolidated Financial Statements received a qualified opinion. The qualified opinion on the Consolidated Financial Statements was due to significant revisions made to Rural Development's (RD) credit reform processes related to the Single-Family Housing Program cashflow model and subsidy reestimates. As such, OIG was unable to obtain sufficient, appropriate evidence to support RD's and USDA's Financial Statement amounts as of September 30, 2007. These revisions materially impacted RD's and USDA's Consolidated Financial Statements as a whole and resulted in qualified opinions. We also identified three significant deficiencies in internal controls. Improvements were needed in overall financial management, IT security and controls, and certain financial management practices and processes. The first two deficiencies were considered to be material weaknesses. In addition, three instances of noncompliance were identified relating to the Federal Financial Management Improvement Act of 1996 (FFMIA), the Anti-Deficiency Act (ADA), and Managerial Cost Accounting Practices. The Office of the Chief Financial Officer (OCFO) agreed with the findings reported and has immediate and long-term plans to address the weaknesses discussed in the report.

In addition to auditing the Department's Consolidated Financial Statements, audits of the financial statements of five USDA agencies were also performed. Details of these financial audits are as follows:

- **RD – Qualified Opinion in FY 2007.** The RD consolidated financial statements for FY 2007 received a qualified opinion because of deficiencies we identified after RD made significant revisions to its credit reform processes related to the Single-Family Housing Program cashflow model and subsidy reestimates. Our report on internal controls identified two material weaknesses related to improvements needed in financial management of the credit reform processes and IT security. In addition, we reported a significant deficiency related to improvements needed over the Rural Telecommunication Program's unliquidated obligation certification process. We also identified an instance of noncompliance related to FFMIA. We recommended that RD improve its financial reporting controls over credit reform. RD generally agreed with the findings and recommendations in the report.
- **CCC – Unqualified Opinion.** The audit of CCC identified four significant deficiencies (the first three are material weaknesses) in CCC's information security controls, financial system functionality and funds control, management's review procedures over the cashflow models for direct and credit guarantee programs, and producer monitoring procedures. Three instances of non-compliance were identified related to the Federal Information Security Management Act of 2002 (FISMA), FFMIA, and ADA. CCC generally concurred with the significant deficiencies discussed in the report and is implementing corrective actions.
- **FS – Unqualified Opinion.** We identified one material internal control weakness in FS' IT general controls environment. One instance of noncompliance was identified related to FFMIA. FS agreed with the recommendations and is in the process of developing specific corrective action plans.
- **FNS – Unqualified Opinion.** The audit of FNS did not identify any significant deficiencies; however, one instance of noncompliance was reported related to the Improper Payments Information Act of 2002.

- **Federal Crop Insurance Corporation (FCIC)/RMA – Unqualified Opinion.** No weaknesses were identified related to internal controls.

(Audit Reports Nos. 50401-62-FM, 85401-14-FM, 05401-0016-FM, 08401-0008-FM, 06401-0022-FM, and 27401-32-Hy, respectively, for the USDA, RD, FCIC, FS, CCC, and FNS Financial Statements for FY 2007/2006)

GOVERNMENTWIDE ACTIVITIES – GOAL 3

Review of Legislation, Regulations, Directives, and Memoranda

- *Federal Agency Data Protection Act.* OIG reviewed H.R. 4791, entitled the "Federal Agency Data Protection Act," which would amend the E-Government Act in a number of ways and protect personally identifiable information (PII) of individuals that is maintained in or transmitted by Federal agency information systems. OIG expressed concern that there would be inconsistent determinations of what is and is not PII under the current proposed PII definition and recommended that concrete examples be provided. OIG also recommended that the legislation clarify whether PII includes publicly available information that is lawfully made available to the public from Federal records.
- *Improper Payments Elimination and Recovery Act of 2008.* OIG reviewed S. 2583, entitled the "Improper Payments Elimination and Recovery Act of 2008," which would require the Office of Management and Budget (OMB) to determine when an agency should be required to obtain an opinion on internal controls over financial reporting. OIG expressed concern that this requirement would double the amount of time and resources needed for OIG and independent audit contractors to conduct USDA's financial statement audits. Also, the legislation would require OIG to perform annual audits to ascertain

whether USDA is in compliance with the Improper Payments Act. OIG expressed concern that these new requirements would leave few if any resources available for OIG to conduct other audit work. Additionally, OIG opined that the requirement for such annual audits would not be an efficient use of resources, as it would not provide agencies with sufficient time to make corrections and address any recommendations before the following year's audit. OIG recommended, at a minimum, that (1) the IG be able to exercise some judgment as to which relevant agency programs to review and also be able to exercise some discretion as to the scope of that review, and 2) the schedule for any such audits be revised to allow more time between audits (e.g., "once every 3 years" or "periodically" at the IG's discretion).

- As part of its continuing efforts to strengthen the Federal nursery crop insurance program, RMA requested OIG Audit staff comments and feedback on its draft 2008 Nursery Loss Adjustment Standards Handbook (LASH). During the past year, RMA has worked with and provided ongoing assistance to auditors reviewing nursery crop indemnity payments for losses caused by Hurricanes Katrina, Rita, and Wilma. OIG provided comments to strengthen this essential document based on the mismanagement and abuse by loss adjusters we observed during our fieldwork. We suggested that loss adjusters, at the beginning of the loss adjustment process, ensure that (1) documentation exists, is reconciled to, and supports producers' insured inventory values; and (2) required pre-acceptance inspections to confirm the eligibility of the property being insured were performed. OIG also suggested that adjusters support their determinations of plant recovery time needed.

OIG also reviewed and commented on a draft of a manager's bulletin that RMA was issuing to all Approved Insurance Providers (AIP) to discuss OIG's preliminary audit findings and remind AIPs that insured nursery inventory values must be supported by adequate inventory records. During

our fieldwork, OIG auditors observed an AIP's sales agent who had misused the nursery crop insurance peak inventory provisions to provide ineligible coverage and subsequent indemnity payments for some of its insured producers. At our suggestion, RMA included a section in the bulletin on nursery crop provisions from the peak inventory endorsement and reminded AIPs that peak endorsements must be properly supported by a physical inventory. The bulletin was issued February 28, 2008.

Participation on Committees, Working Groups, and Task Forces

- *PCIE Legislation Committee.* The USDA IG continues to serve the IG community as the Chair of the Legislation Committee of the PCIE. During the reporting period, the Legislation Committee reviewed pending bills that would amend the IG Act and provided comments as requested to staff of the House Oversight and Government Reform Committee and the Senate Homeland Security and Governmental Affairs Committee (HSGAC). On October 3, 2007, the House considered and passed H.R. 928, the "Improving Government Accountability Act." On November 14, 2007, the Senate HSGAC favorably voted S. 2324, the "Inspector General Reform Act of 2007" (the Senate counterpart to H.R. 928) out of committee.

On an ongoing basis, the Legislation Committee monitored and tracked all IG-related legislation that was introduced in Congress and kept the affected IGs notified of these bills' progress. The committee considered specifically the Web site requirements imposed upon OIGs and their host establishments by the 2008 Consolidated Appropriations Act, as well as S. 2583, the "Improper Payments Elimination and Recovery Act of 2008," which would amend the Improper Payment Information Act of 2002 and impose additional requirements on OMB, Federal agencies, and the executive branch IGs.

- The USDA IG is a member of the National Procurement Fraud Task Force, formed by the Department of Justice (DOJ) in October 2006 as a partnership among Federal agencies charged with the investigation and prosecution of illegal acts in connection with Government contracting and grant activities. The task force has worked to better allocate

resources and improve coordination in procurement and grant fraud cases and otherwise to accelerate investigations and prosecutions. During this period, the task force has developed training programs on procurement and forensic auditing. At the regional level, OIG Investigations field offices in the Northeast Region and Western Region participate on Procurement Fraud Task Forces initiated by the local United States Attorneys' Offices. OIG investigators in the Northeast Region are participating in a multi-agency investigation involving surety bond fraud. Surety bonds are one of the requirements necessary to obtain a Government contract. OIG also participates in one of the working groups formed by the task force, the Legislation Committee, which has produced a white paper discussing proposals for reform of the procurement process.

- The USDA IG, as a member of the PCIE Audit Committee, works to provide guidance to the Federal audit community by sponsoring reviews of Governmentwide issues and developing professional standards for audit activities. During this period, the committee addressed issues involving auditor training, proposed legislation requiring audits of improper payments, peer reviews, and reviews of IT.

- *National Single Audit Sampling Project.* Conducted under the auspices of the Audit Committee, the PCIE issued a study, *Report on National Single Audit Sampling Project*, to OMB in June 2007 on the quality of audits performed under Circular A-133 and how to improve them. Prompted by the PCIE study, but not under the purview of PCIE, OMB has designated a number of Federal agencies to examine whether the Single Audit process should be changed and, if so, how. Of the eight Single Audit Improvement Workgroups formed, OIG is participating in the one entitled "The New and Improved Single Audit Process." In considering how the total Single Audit Environment should be improved, this workgroup is trying to ensure that the issues raised are applied to the collective efforts of all eight workgroups. This workgroup is also seeking input from the audit community—Federal (including GAO), State, and local governmental auditors, and certified public accountants—as well as the report user community. In addition, the workgroup is coordinating with OMB to implement changes.

- *Financial Statement Audit Network (FSAN).* OIG auditors are members of the FSAN workgroup. FSAN consists of inspector general auditors from numerous Federal agencies, and its main purpose is to share ideas, knowledge, and experiences in the audit community. On March 14, 2008, USDA OIG, in conjunction with FSAN, hosted the GAO/PCIE Financial Statement Audit Update Conference. The conference was attended by more than 350 financial and IT auditors from the Federal, State, and private sector communities.

- *A-136 Subcommittee.* USDA OIG and the Department's Office of Chief Financial Officer are members of the Subcommittee on OMB Circular No. A-136, *Financial Reporting Requirements*. The subcommittee's purpose was to analyze various topics and submit recommendations to OMB by April 2008 for possible inclusion in the anticipated OMB Circular No. A-136 revision scheduled for May 2008. Topics being discussed include:

- Accounting and budgetary difference reporting requirements
- Performance and Accountability Report (PAR) pilot evaluation
- Compilation and presentation of PAR
- Statement of Financing
- Fiduciary Activity Footnote
- Program performance evaluations included in PAR
- Asbestos reporting requirements
- Statement of Net Cost
- Parent-child reporting

- The USDA OIG National Computer Forensic Division (NCFD) is an active participant in the newly formed PCIE IT Committee's Investigations Subcommittee and the Working Group on Computer Forensics. NCFD will participate in a training session co-sponsored by the PCIE IT Committee and DOJ's Computer Crimes and Intellectual Property Section. The subcommittee is currently reviewing Encryption Key Escrow policies within each participating agency to help establish a best-practices document related to key escrow. The subcommittee is also reviewing the possibility of developing a computer forensic lab certification for all OIG forensic labs.

- A forensic analyst from OIG's NCFD participates full time at the FBI's Heart of America Regional Computer Forensic Lab (HARCFL) in Kansas City, Missouri. Participation in HARCFL has been beneficial in obtaining direct access to a Regional Computer Forensics Laboratory, training, sample policies and procedures, and, as needed, FBI assistance in OIG's forensic examinations.

Testimony Delivered

- *IG Testifies Before the House Committee on Appropriations' Subcommittee on Agriculture, Rural Development, FDA, and Related Agencies, on OIG's FY 2009 Budget Request.* On February 28, 2008, the IG and her senior management team presented testimony in support of the President's FY 2009 Budget Request for OIG. Her testimony provided an overview of significant audit and investigative work OIG conducted in the preceding 12 months and the most noteworthy work OIG has ongoing or planned for 2008. The IG's testimony featured descriptions of OIG's food safety work in 2007 and 2008, covering issues such as risk-based inspection, *E. coli* testing, allegations of improper practices in meat processing facilities, and USDA recall procedures. OIG's testimony also addressed audit and investigation work pertaining to NRCS conservation programs, RD activities, and USDA's nutrition programs. During the hearing, the IG and her senior managers further discussed OIG's work related to hurricane relief operations, dogfighting investigations, and food stamp fraud with Members of the Subcommittee. IG Fong also testified about the current budget reductions we face and the impact on our ability to provide full and effective oversight of Departmental operations.

ONGOING AND PLANNED REVIEWS FOR GOAL 3

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

- GIPSA's management and oversight of the Packers and Stockyards Program,
- FS acquisition of IT software/hardware,
- oversight and control of FS activities,
- implementation of Renewable Energy Programs in USDA, ARS, RBS, and FS,
- Hurricane Relief Initiatives:
 - ▶ Section 32 disaster programs including the Feed, Hurricane (crop), and Livestock Indemnity Programs (FSA and CCC),
 - ▶ RMA's 2005 emergency hurricane relief efforts in Florida,
- RMA compliance activities,
- national research initiative competitive grants (CSREES),
- ARS research monitoring,
- Export Guarantee Programs (FAS),
- price discovery efforts for various crops reported nationwide (NASS),
- establishment of average yields (NASS),
- annual audits of the Department and standalone agencies' Financial Statements for FYs 2007 and 2008 (OCFO),
- retirement, health, and life insurance withholdings/contribution and supplemental headcount report submitted to OPM for FYs 2007 and 2008 (OCFO),
- FY 2008 USDA closing package,
- Rural Telephone Bank (RTB) closeout audit,
- accounting for farm loan programs (FSA),
- improper payments – continued reviews of risk assessment process and monitoring the progress of corrective actions (FSA and RHS),
- adequacy of internal controls over USDA travel card expenditures followup,
- management and security over USDA wireless communications (Office of the Chief Information Officer (OCIO)),
- lost and stolen computer equipment containing sensitive information (OCIO),
- FY 2008 National Finance general controls (OCFO),
- FY 2008 FISMA (OCIO),
- FY 2008 National Information Technology Center general controls (OCIO),
- FY 2008 Information Technology Services general controls (OCIO),
- FSIS IT followup,
- minimum security requirements in USDA information systems (OCIO), and
- management over time and attendance data processed at the National Finance Center (OCFO).

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

Stewardship Over Natural Resources

OIG Strategic Goal 4:

Increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources.

OIG's audits, inspections, and investigations focus on USDA's management and stewardship of natural resources, including soil, water, and recreational settings. Our work in this area is vital because USDA is entrusted with hundreds of billions of dollars in fixed public assets, such as the 193 million acres of national forests and grasslands. USDA also provides scientific and technical knowledge for enhancing and protecting the economic productivity and environmental quality of the estimated 1.5 billion acres of forests and associated rangelands in the United States.

In the first half of FY 2008, we devoted 5.5 percent of our total direct resources to Goal 4, with 99.5 percent of these resources assigned to critical/high-impact work. There were no audit or inspection recommendations under the new Goal 4 that resulted in management decision within 1 year, nor were there any investigative cases that had criminal, civil, or administrative action taken. OIG issued no audit reports under Goal 4 during this reporting period. (For statistical purposes, the audit reported below (Audit Report No. 50601-12-KC) is tabulated under Goal 3 because it was largely completed before the implementation of Goal 4 in our strategic plan. The following investigative results are indicative of cases initiated before the implementation of Goal 4.) OIG investigations under Goal 4 yielded three indictments, five convictions, and about \$1.3 million in monetary results during the reporting period.

Management Challenges Addressed Under Goal 4

- Interagency Communications, Coordination, and Program Integration Need Improvement (also under Goals 1, 2, and 3)
- Better FS Management and Community Action Needed To Improve the Health of the National Forests and Reduce the Cost of Fighting Fires (also under Goals 1 and 3)

EXAMPLES OF AUDIT, INSPECTION, AND INVESTIGATIVE WORK FOR GOAL 4

NRCS Should Evaluate Funding Decisions for Multi-State Disaster Areas

Overall, we found that NRCS' management controls in Mississippi and Louisiana were in place and functioning, as intended, to identify eligible sponsor entities and watershed project areas, to solicit bids and award contracts, and to inspect and verify the completion of designed channel restorations and levee repairs after Hurricanes Katrina and Rita. NRCS had provided funding for the affected States to restore channels and levees and to remove and dispose of dead poultry.

NRCS initially allocated \$23.9 million in Emergency Watershed Protection Program (EWP) funds to the affected areas. Initial EWP funding for Louisiana and Mississippi totaled approximately \$10.5 million and \$7.5 million, respectively, for exigent projects in Louisiana and serious, but nonexigent, projects in Mississippi. Each State obligated funding to its highest priority projects, but the initial EWP funding was not obligated to the highest priority projects across the entire disaster-impacted area. We recommended that NRCS evaluate the use of program funding for future disasters across any multi-State disaster areas to ensure that available funding can be put to the highest priority or best use. NRCS indicated that it will assess the funding, but that funding had been sufficient to fully fund all exigent requests.

The audit was conducted in conjunction with PCIE as part of its examination of the Federal Government's relief efforts in the aftermath of Hurricanes Katrina and Rita. (Audit Report No. 50601-12-KC, Hurricane Relief Initiatives: EWP and Disposal of Dead Animals)

GOVERNMENTWIDE ACTIVITIES – GOAL 4

Testimony Delivered

- *Deputy Inspector General (DIG) Kathleen S. Tighe Testifies Before the House Committee on Appropriations' Subcommittee on Interior, Environment, and Related Agencies, Regarding Wildfire.* On February 12, 2008, DIG Tighe presented testimony on FS wildfire management activities. She described the scope of OIG's work related to FS and OIG's three most recent FS audits. The DIG testified that during the last 4 fiscal years, OIG's audit and investigative work related to FS achieved monetary benefits or results totaling more than \$63 million. In addition to discussing OIG's Large-Fire Suppression Costs and Healthy Forests Initiative audits, the DIG highlighted OIG's newly issued report on FS' Air Safety Program. Deputy IG Tighe advised the Subcommittee that OIG's overall conclusion was that FS has made strides toward improving its air safety program, but that OIG believes FS still needs to develop and implement an airworthiness assessment, inspection, and maintenance program that is targeted toward the demands that a firefighting environment imposes on aircraft. Regarding the cost of large-fire suppression, the DIG's testimony reiterated OIG's finding that the financial burdens on FS are likely to continue to rise because of current public expectations and uncertainties about Federal, State, and local responsibilities. The DIG also noted some of OIG's ongoing and planned work for FY 2008 regarding FS activities.

ONGOING AND PLANNED REVIEWS FOR GOAL 4

Topics that will be covered in ongoing or planned reviews under Goal 4 include:

- Invasive Species Program (FS),
- watershed management (FS),
- Legacy Program – appraisal process (FS),
- administration of special use permits (FS),
- controls over technical service providers (NRCS),
- Conservation Security Program (NRCS),
- effectiveness of status reviews process in assessing producer compliance with conservation provisions (multi-agency), and
- Wetlands Reserve Program – restoration compliance (NRCS).

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

Gauging the Impact of OIG

MEASURING PROGRESS AGAINST THE OIG STRATEGIC PLAN

The first way we gauged our impact was by measuring the extent to which our work focused on the key issues under our newly revised goals that became effective in FY 2008:

1. Strengthen USDA's ability to implement safety and security measures to protect the public health as well as agricultural and Departmental resources.
2. Reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to program participants.
3. Support USDA in implementing its management improvement initiatives.
4. Increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources.

IMPACT OF OIG AUDIT AND INVESTIGATIVE WORK ON DEPARTMENT PROGRAMS

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

FOR AUDITS WE SHOW

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

FOR INVESTIGATIONS WE SHOW

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

PERFORMANCE RESULTS TOTALS UNDER OUR STRATEGIC GOALS			
Performance Measures	FY 07 Baseline	FY 08 Target	FY 08 1 st half Actual
(1) OIG direct resources dedicated to critical-risk and high-impact work.	92.8%	90.0%	95.6%
(2) Audit or inspection recommendations resulting in management decision within 1 year of report issuance.	84.0%	85.0%	74.2%
(3) Closed investigations previously referred for action that resulted in an indictment, conviction, civil suit or settlement, judgment, administrative action, or monetary result	73.7%	65.0%	76.6%

SUMMARY OF AUDIT ACTIVITIES			
OCTOBER 2007 – MARCH 2008			
Reports Issued			30
Audits Performed by OIG			22
Evaluations Performed by OIG			0
Audits Performed Under the Single Audit Act			0
Audits Performed by Others			8
Management Decisions Made			
Number of Reports			22
Number of Recommendations			180
Total Dollar Impact (Millions) of Management-Decided Reports			\$363.8
Questioned/Unsupported Costs			\$30.6 ^{ab}
Recommended for Recovery			\$30.6
Not Recommended for Recovery			\$0
Funds To Be Put to Better Use			\$333.2
^a These were the amounts the auditees agreed to at the time of management decision. ^b The recoveries realized could change as the auditees implement the agreed-upon corrective action plan and seek recovery of amounts recorded as debts due the Department.			

SUMMARY OF INVESTIGATIVE ACTIVITIES			
OCTOBER 2007 – MARCH 2008			
Reports Issued			146
Cases Opened			161
Cases Closed			137
Cases Referred for Prosecution			150
Impact of Investigations			
Indictments			125
Convictions			374 ^a
Searches			28
Arrests			182
Total Dollar Impact (Millions)			\$34.7
Recoveries/Collections			\$6.8 ^b
Restitutions			\$18.9 ^c
Fines			\$ 0.9 ^d
Claims Established			\$ 7.6 ^e
Cost Avoidance			\$ 0.4 ^f
Administrative Penalties			\$ 0.1 ^g
Administrative Sanctions			54
Employees			15
Businesses/Persons			39
^a Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 374 convictions do not necessarily relate to the 125 indictments. ^b Includes money received by USDA or other Government agencies as a result of OIG investigations. ^c Restitutions are court-ordered repayments of money lost through a crime or program abuse. ^d Fines are court-ordered penalties. ^e Claims established are agency demands for repayment of USDA benefits. ^f Consists of loans or benefits not granted as the result of an OIG investigation. ^g Includes monetary fines or penalties authorized by law and imposed through an administrative process as a result of OIG findings.			

INVENTORY OF AUDIT REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE				
FROM OCTOBER 1, 2007, THROUGH MARCH 31, 2008				
			NUMBER	DOLLAR VALUE
A.	FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 2007		6	\$311,319,480
B.	WHICH WERE ISSUED DURING THE REPORTING PERIOD		1	\$25,000,000
	TOTALS		7	\$336,319,480
C.	FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THE REPORTING PERIOD		3	
	(1) DOLLAR VALUE OF DISALLOWED COSTS			\$333,203,479
	(2) DOLLAR VALUE OF COSTS NOT DISALLOWED			\$0
D.	FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THE REPORTING PERIOD		4	\$3,116,001
	REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE		4	\$3,116,001

INVENTORY OF AUDIT REPORTS WITH QUESTIONED COSTS AND LOANS				
FROM OCTOBER 1, 2007, THROUGH MARCH 31, 2008				
			DOLLAR VALUE	
		NUMBER	QUESTIONED COSTS AND LOANS	UNSUPPORTED ^a COSTS AND LOANS
A.	FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 2007	13	\$43,249,467	\$58,659
B.	WHICH WERE ISSUED DURING THIS REPORTING PERIOD	2	\$795,655	\$545,230
	TOTALS	15	\$44,045,122	\$603,889
C.	FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THIS REPORTING PERIOD	8		
	(1) DOLLAR VALUE OF DISALLOWED COSTS			
	RECOMMENDED FOR RECOVERY		\$30,572,705	\$34,770
	NOT RECOMMENDED FOR RECOVERY		\$39,422	\$0
	(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$12,157,743	\$0
D.	FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	7	\$2,987,251	\$569,119
	REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	5	\$2,191,596	\$23,889

^aUnsupported values are included in questioned values.

Program Improvement Recommendations

A significant number of our audit recommendations carry no monetary value per se, but their impact can be immeasurable in terms of safety, security, and public health. They can also contribute considerably toward economy, efficiency, and effectiveness in USDA's programs and operations. During this reporting period, we issued 159 program improvement recommendations, and management agreed to implement a total of 143 program improvement recommendations that were issued this period or earlier. Examples of the program improvement recommendations issued this period (see the main text of this report for a summary of the audits that prompted these program improvement recommendations) include the following:

- OIG made 35 recommendations to improve FSIS' management controls, data collection and analyses processes, and IT infrastructure. FSIS agreed with all of these recommendations and has already begun to take responsive action.
 - APHIS generally agreed with our recommendations to enhance the controls over the importation of live animals and responded with plans or actions to strengthen or implement additional animal import controls.
 - APHIS agreed to develop timeframes to implement its ePermits system for importation of animal products, incorporating the ability to identify permit applicants who require inspections and to track permit activity at the ports of entry.
 - FS agreed to develop an overall plan to complete airworthiness assessments for its firefighting aircraft and to require States to assess the airworthiness of aircraft borrowed from FS and used on Federal fires.
 - NASS has implemented changes in its internal controls to improve the data collection and review process for the *Dairy Products Prices* report.
 - RUS agreed to develop a formal strategy to maximize the effectiveness of renewable energy projects, including the development of goals and performance measures as well as the use of grant and loan combinations to maximize available loan and grant funds.
- FSA agreed to ensure that the guidance for conducting improper payment reviews was revised to reflect the revision to the improper payment determination for Marketing Assistance Loans lien searches, and that controls are implemented to confirm that improper payment estimates are accurately based on the results of payment reviews.

**SUMMARY OF AUDIT REPORTS RELEASED
FROM OCTOBER 1, 2007, THROUGH MARCH 31, 2008**

DURING THE 6-MONTH PERIOD FROM OCTOBER 1, 2007, THROUGH MARCH 31, 2008,
THE OFFICE OF INSPECTOR GENERAL ISSUED 30 AUDIT REPORTS, INCLUDING 8 PERFORMED BY OTHERS.
THE FOLLOWING IS A SUMMARY OF THOSE AUDITS BY AGENCY:

AGENCY	AUDITS RELEASED	QUESTIONED COSTS AND LOANS	UNSUPPORTED ^a COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGRICULTURAL RESEARCH SERVICE	1			
ANIMAL AND PLANT HEALTH INSPECTION SERVICE	2			
COMMODITY CREDIT CORPORATION	1			
FARM SERVICE AGENCY	5	\$545,230	\$545,230	\$25,000,000
FOOD AND NUTRITION SERVICE	6	\$250,425		
FOOD SAFETY AND INSPECTION SERVICE	2			
FOREST SERVICE	4			
MULTIAGENCY	4			
RISK MANAGEMENT AGENCY	2			
RURAL DEVELOPMENT	1			
RURAL HOUSING SERVICE	1			
RURAL UTILITIES SERVICE	1			
TOTALS	30	\$795,655	\$545,230	\$25,000,000
TOTAL COMPLETED:				
SINGLE AGENCY AUDIT	26			
MULTIAGENCY AUDIT	4			
SINGLE AGENCY EVALUATION	0			
MULTIAGENCY EVALUATION	0			
TOTAL RELEASED NATIONWIDE	30			
TOTAL COMPLETED UNDER CONTRACT ^b	8			
TOTAL SINGLE AUDIT ISSUED ^c	0			

^aUnsupported values are included in questioned values

^bIndicates audits performed by others

^cIndicates audits completed as Single Audit

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES						
FROM OCTOBER 1, 2007, THROUGH MARCH 31, 2008						
AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED ^a COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
Agricultural Research Service						
020170007HQ	2007/11/15	DCAA Audit of International Science and Technology Center and Science and Technology Center of Ukraine's Internal Controls Funded by ARS				
Total: Agricultural Research Service			1			
Animal and Plant Health Inspection Service						
336010009CH	2007/10/26	Controls Over Permits To Import Agricultural Products				
337010001HY	2008/01/15	Continued Monitoring of Avian Flu Preparations				
Total: Animal and Plant Health Inspection Service			2			
Commodity Credit Corporation						
064010022FM	2007/11/13	FY 2007 CCC Financial Statements				
Total: Commodity Credit Corporation			1			
Farm Service Agency						
036010013AT	2008/03/10	Hurricane Relief Initiative - Tree Indemnity Program		\$545,230	\$545,230	
036010016CH	2008/03/27	Identification and Reporting of Improper Payments in FSA High-Risk Programs				
036010025KC	2008/01/18	Bioenergy Program				
036010027KC	2008/02/26	FSA's Hurricane Relief Initiatives: Emergency Conservation Program				
036010048TE	2007/10/18	2005 Hurricane Initiatives: Aquaculture Grants to States				\$25,000,000
Total: Farm Service Agency			5	\$545,230	\$545,230	\$25,000,000

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES						
FROM OCTOBER 1, 2007, THROUGH MARCH 31, 2008						
AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED ^a COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
Food and Nutrition Service						
270170004HQ	2007/11/06	DCAA Audit of Mathematica Policy Research, Inc., FY 2005 Incurred Cost				
270170005HQ	2008/01/31	DCAA Audit of ABT Associates, Inc., FY 2003 Incurred Cost				
270990063AT	2008/03/31	Georgia Summer Food Service Program		\$250,425		
274010032HY	2007/11/09	FY 2007 FNS Financial Statements				
275010002HY	2008/03/31	Application Control Review of the Store Tracking and Redemption System II				
276010016AT	2008/03/31	Food Stamp Employment and Training Program				
Total: Food and Nutrition Service			6	\$250,425		
Food Safety and Inspection Service						
246010004KC	2008/01/29	FSIS Sampling and Testing Procedures for <i>E. coli O157:H7</i>				
246010007HY	2007/12/04	Issues Impacting Development of Risk-Based Inspection at Processing Establishments				
Total: Food Safety and Inspection Service			2			
Forest Service						
080170013HQ	2007/10/31	DCAA Audit of Air Resource Specialist Inc., Accounting System				
080170014HQ	2007/11/27	DCAA Audit of Kellogg Brown and Root Services, Inc., Brown and Root Services Operations' FY 2002 Incurred Costs				
084010008FM	2007/11/15	FY 2007 Forest Service Financial Statements				
086010048SF	2008/02/05	FS Air Safety Program				
Total: Forest Service			4			

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES						
FROM OCTOBER 1, 2007, THROUGH MARCH 31, 2008						
AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED ^a COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
Multi-Agency						
504010062FM	2007/11/15	FY 2007 USDA Financial Statements				
504010063FM	2007/11/16	FY 2007 Audit of USDA's Closing Package				
506010012CH	2008/03/31	USDA's Controls Over the Importation and Movement of Live Animals				
506010012KC	2007/10/18	Hurricane Relief Initiatives: NRCS Emergency Watershed Protection Program and Dead Animal Debris Disposal Project				
Total: Multi-Agency			4			
Risk Management Agency						
050990111KC	2007/10/23	Monitoring the Financial Condition of RMA's Reinsured Companies				
054010016FM	2007/11/09	FY 2007 FCIC Financial Statements				
Total: Risk Management Agency			2			
Rural Development						
854010014FM	2007/11/09	FY 2007 Rural Development Financial Statements				
Total: Rural Development			1			
Rural Housing Service						
040990106SF	2008/03/18	Review of Bond Financing – RHS Guaranteed Loan Program				
Total: Rural Housing Service			1			
Rural Utilities Service						
096010007TE	2008/03/21	Implementation of Renewable Energy Programs in the Rural Utilities Service				
Total: Rural Utilities Service			1			
GRAND TOTAL			30	\$795,655	\$545,230	\$25,000,000

AUDITS WITHOUT MANAGEMENT DECISION

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

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
NEW SINCE LAST REPORTING PERIOD				
OAC	2007/05/14	1. Review of USDA Employee Civil Rights Complaints (60601-4-Hy)	0	0
CSREES	2007/08/17	2. CSREES – Tribal 1994 Land Grant Institutions (13011-3-At)	951,345	951,345
FSA	2007/09/26	3. Tobacco Transition Payment Program – Quota Holder Payments and Flue-Cured Tobacco Quotas (03601-12-At)	465,703	29,820
Multiagency	2007/08/27	4. Crop Bases on Lands With Conservation Easements (50099-11-SF)	1,385,937	1,385,937

PREVIOUSLY REPORTED BUT NOT YET RESOLVED

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

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
FAS	2007/02/22	5. Trade Promotion Operations (07601-1-Hy)	0	0
FSIS	2000/06/21	6. Implementation of the Hazard Analysis and Critical Control Point (HACCP) System (24001-3-At)	0	0
	2003/09/30	7. Oversight of Production Process and Recall at ConAgra Plant (Establishment 969) (24601-2-KC)	0	0
	2005/06/24	8. HACCP – Compliance by Very Small Plants (24601-5-At)	0	0
Multiagency	2003/09/30	9. Implementation of Agricultural Risk Protection Act (50099-12-KC)	0	0
	2004/02/23	10. Homeland Security Issues for USDA Grain and Commodities Inventory (50099-13-KC)	0	0
	2007/02/27	11. IT – Lost or Stolen Items Containing Sensitive Information (50501-8-FM)	0	0
	2007/03/28	12. Implementation of Trade Title of 2002 Farm Bill and President's Management Agenda (50601-12-At)	0	0
RBS	2002/01/28	13. Lender Servicing of Business and Industry (B&I) Guaranteed Loans, Florida (34601-3-At)	1,536,060	1,536,060
	2004/09/30	14. Rural Rental Housing Project Costs, Cairo, IL (04099-143-Ch)*	164,000	164,000
	2007/03/30	15. Controls Over Single-Family Hurricane Relief Efforts (04601-15-Ch)	388,842	320,152
RMA	2002/03/15	16. Monitoring of RMA's Implementation of Manual 14 Reviews/Quality Control Review System (05099-14-KC)	0	0
	2007/03/26	17. Evaluation of RMA Indemnity Payments for 2004 Florida Hurricanes (05099-27-At)	415,710	415,710

AUDITS WITHOUT MANAGEMENT DECISION – NARRATIVE FOR NEW ENTRIES

1. Review of USDA Employee Civil Rights Complaints (60601-4-Hy), Issued May 14, 2007

OIG recommended that the Office of Adjudication and Compliance (OAC) implement controls to monitor the processing of employee complaints and to intervene when timeframes are not met. For management decision, OAC needed to establish timeframes by which cases are considered to significantly exceed regulatory timeframes. OAC proposed that 180 days elapse before a Final Agency Decision (FAD) based on the merits will be considered as having significantly exceeded regulatory timeframes. However, regulations state that an FAD based on merits should be issued within 60 days of the beginning of the adjudication period. To accept management decision, OAC needs to provide justification for its proposal.

2. CSREES – 1994 Tribal Land Grant Institutions (13011-3-At), Issued August 17, 2007

OIG found that CSREES had not closed out 33 grants with unliquidated balances totaling \$874,986. We recommended that CSREES close out the expired grants and return excess funds to the U.S. Treasury. CSREES generally agreed and has started the process to return the excess funds to the U.S. Treasury, except in several cases where it is seeking clarification on an administrative requirement. To reach management decision, CSREES needs to provide documentation on its corrective actions on all of these expired grants.

3. Tobacco Transition Payment Program – Quota Holder Payments and Flue-Cured Tobacco Quotas (03601-12-At), Issued September 26, 2007

OIG found that, in 2003, FSA identified a computer software error that incorrectly altered flue-cured tobacco quotas in cases where an owner transferred quota from one tract to another (common ownership transfers). Although FSA corrected the software problem, it did not review and correct all common ownership transfers made before the software was revised. FSA agreed to review and correct quotas and Tobacco Transition Payment Program (TTPP) contracts and payments for identified common ownership transfers that resulted in incorrectly altered flue-cured tobacco quotas. To reach management decision, FSA needs to provide the results of its reviews, including copies of the bills for collection of any amounts owed to the Government, and

support that such amounts have been entered as receivables on the agency's accounting records.

4. Crop Bases on Lands With Conservation Easements (50099-11-SF), Issued August 27, 2007

Our followup audit found a continuing problem with NRCS not communicating with FSA on easements, causing FSA to make improper farm subsidy payments for 36 easements, resulting in overpayments of \$1.3 million. We issued a management alert in September 2005. We have accepted management decision for our one recommendation to NRCS that it train staff members in California on their responsibilities to notify FSA of recorded easements. We recommended that FSA (1) direct its California office to remove the crop bases from the 36 easements and recover the consequent improper payments, (2) search for similar problems nationwide, and (3) take action to prevent these problems from recurring. To reach management decision on the seven of nine open recommendations, FSA needs to (1) provide support that any overpayments have been entered as receivables on its accounting records or justification for not pursuing any of the monetary amounts, (2) demonstrate its efforts to search for similar problems nationwide, and (3) document that it has removed from its handbook the reference that cropland enrolled in an EWP easement is eligible for farm subsidy payments in the fiscal year the easement is filed.

INDICTMENTS AND CONVICTIONS

From October 1, 2007, through March 31, 2008, OIG completed 146 investigations. We referred 150 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 125 indictments and 374 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 374 convictions do not necessarily relate to the 125 indictments. Fines, recoveries/collections, restitutions, claims established, cost avoidance, and administrative penalties resulting from our investigations totaled about \$34.7 million.

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

Indictments and Convictions October 1, 2007 – March 31, 2008		
Agency	Indictments	Convictions*
AMS	1	0
APHIS	10	271
ARS	1	0
FNS	77	67
FS	2	3
FSA	11	21
FSIS	12	6
NRCS	1	2
RHS	4	3
RMA	6	1
TOTAL	125	374

*This category includes pretrial diversions.

OFFICE OF INSPECTOR GENERAL HOTLINE

The OIG Hotline serves as a national receiving point for reports from both employees and the general public of suspected incidents of fraud, waste, mismanagement, and abuse in USDA programs and operations. During this reporting period, the OIG Hotline received 718 complaints, which included allegations of

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

Figure 1. Volume and Type

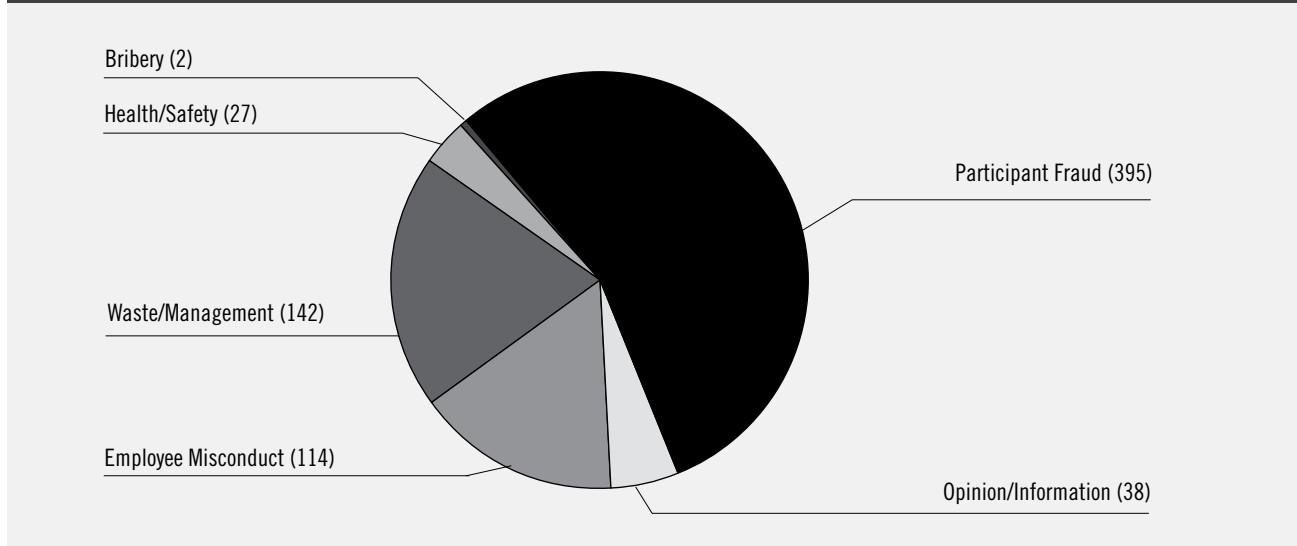
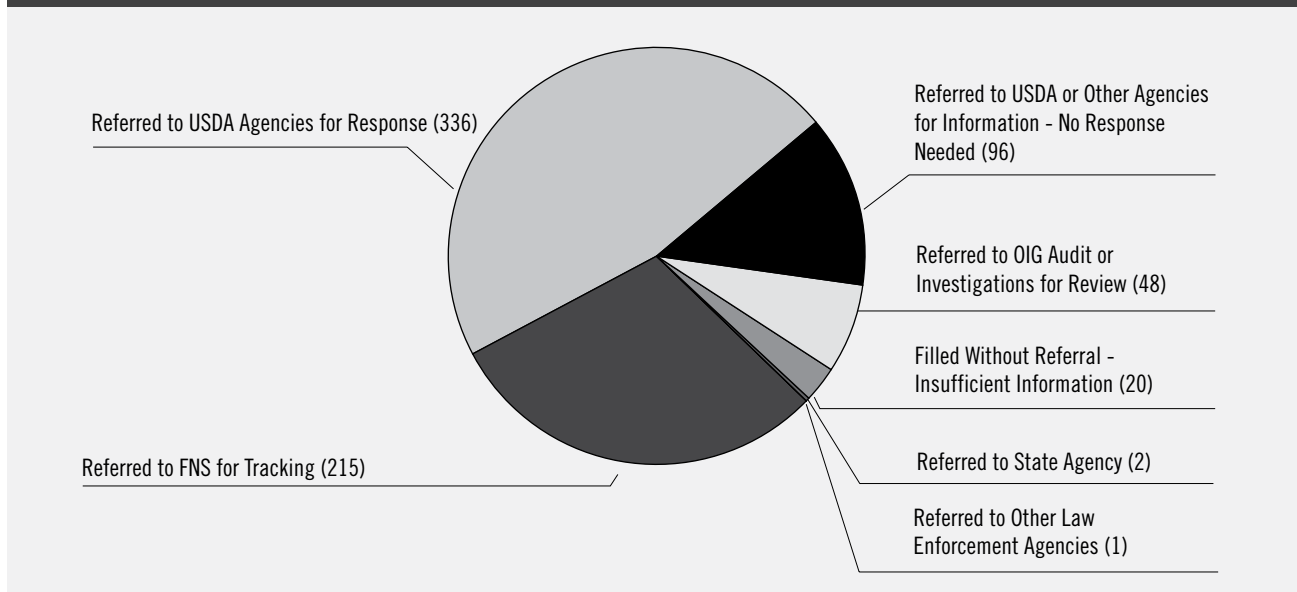


Figure 2. Disposition of Complaints Received



FREEDOM OF INFORMATION ACT (FOIA) AND PRIVACY ACT (PA) REQUESTS	
October 1, 2007 – March 31, 2008	
Number of FOIA/PA Requests Received	74
Number of FOIA/PA Requests Processed	70
Number Granted	6
Number Partially Granted	39
Number Not Granted	25
Reasons for Denial	
No Records Available	13
Referred to Other Agencies	1
Requests Denied in Full Exemption 5	1
Requests Denied in Full Exemption 7(A)	5
Requests Denied in Full Exemption 7(C)	2
Request Withdrawn	1
Fee-Related	1
Not a Proper FOIA Request	0
Not an Agency Record	0
Duplicate Request	0
Other	1
Requests for OIG Reports From Congress and Other Government Agencies	
Received	20
Processed	20
Appeals Received	2
Appeals Processed	3
Appeals Completely Upheld	2
Appeals Partially Upheld	1
Appeals Completely Reversed	0
Appeals Requests Withdrawn	0
Other	0
Number of OIG Reports/Documents Released in Response to Requests	33
NOTE 1: A request may involve more than one report.	
NOTE 2: During this 6-month period, 28 audit reports and 3 inspections and research reports were posted to the Internet at the OIG Web site: http://www.usda.gov/oig	

Abbreviations of Organizations	
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
BRSB	Benefit Redemption Systems Branch
CBP	U.S. Customs and Border Protection
CCC	Commodity Credit Corporation
CSREES	Cooperative State Research, Education, and Extension Service
DCAA	Defense Contract Audit Agency
DHS	U.S. Department of Homeland Security
DOJ	U.S. Department of Justice
FAA	Federal Aviation Administration
FAS	Foreign Agricultural Service
FBI	Federal Bureau of Investigation
FCIC	Federal Crop Insurance Corporation
FDA	Food and Drug Administration
FNS	Food and Nutrition Service
FS	Forest Service
FSA	Farm Service Agency
FSAN	Financial Statement Audit Network
FSIS	Food Safety and Inspection Service
GAO	Government Accountability Office
GIPSA	Grain Inspection, Packers and Stockyards Administration
HARCFL	Heart of America Regional Computer Forensic Lab
HSC	Homeland Security Council
HSGAC	Homeland Security and Governmental Affairs Committee
IRS	Internal Revenue Service
JTTF	Joint Terrorism Task Force
NASS	National Agricultural Statistics Service
NJTTF	National Joint Terrorism Task Force
NCFD	National Computer Forensic Division
NFC	National Finance Center
NRCS	Natural Resources Conservation Service
OAC	Office of Adjudication and Compliance
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OGC	Office of the General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
OOCIC	Ohio Organized Crime Investigations Commission
PCIE	President's Council on Integrity and Efficiency
RBS	Rural Business-Cooperative Service
RD	Rural Development
RHS	Rural Housing Service
RMA	Risk Management Agency
RTB	Rural Telephone Bank
RUS	Rural Utilities Service
SWCD	Soil and Water Conservation District (Allen County, Indiana)
USDA	U.S. Department of Agriculture

EXAMPLES OF PROGRAM IMPROVEMENT RECOMMENDATIONS MANAGEMENT AGREED TO DURING THIS REPORTING PERIOD (143 TOTAL)

- OIG made 35 recommendations to improve FSIS' management controls, data collection and analyses processes, and IT infrastructure. FSIS agreed with all of these recommendations and has already begun to take responsive action.
- APHIS generally agreed with our recommendations to enhance the controls over the importation of live animals and responded with plans or actions to strengthen or implement additional animal import controls.
- APHIS agreed to develop timeframes to implement its ePermits system for importation of animal products, incorporating the ability to identify permit applicants who require inspections and to track permit activity at the ports of entry.
- FS agreed to develop an overall plan to complete airworthiness assessments for its firefighting aircraft and to require States to assess the airworthiness of aircraft borrowed from FS and used on Federal fires.
- NASS has implemented changes in its internal controls to improve the data collection and review process for the *Dairy Products Prices* report.
- RUS agreed to develop a formal strategy to maximize the effectiveness of renewable energy projects, including the development of goals and performance measures as well as the use of grant and loan combinations to maximize available loan and grant funds.
- FSA agreed to ensure that the guidance for conducting improper payment reviews was revised to reflect the revision to the improper payment determination for Marketing Assistance Loans lien searches, and that controls are implemented to confirm that improper payment estimates are accurately based on the results of payment reviews.

MISSION OF OIG

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

OIG STRATEGIC GOALS

We have focused nearly all of our audit, inspection, and investigative direct resources on our four goals:

- Strengthen USDA's ability to implement safety and security measures to protect the public health as well as agricultural and Departmental resources.
- Reduce program vulnerabilities and strengthen program integrity in the delivery of benefits to program participants.
- Support USDA in implementing its management improvement initiatives.
- Increase the efficiency and effectiveness with which USDA manages and exercises stewardship over natural resources.



To learn more about OIG, visit our Web site at
www.usda.gov/oig/home.htm

How To Report Suspected Wrongdoing in USDA Programs

Fraud, Waste and Abuse

In Washington, DC 202.690.1622
Outside DC 800.424.9121
TDD (Call Collect) 202.690-1202

Bribes or Gratuities

202.720.7257 (24 hours)
888.620.4185 (24 hours)

OIG Hotline Through the Web:
www.usda.gov/oig/hotline.htm



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