

**Office of
Inspector General**

FY 2004 ANNUAL PLAN

October 1, 2003 - September 30, 2004



FOREWORD

This is the Department of Agriculture's (USDA) Office of Inspector General's (OIG) Annual Plan for fiscal year (FY) 2004. This plan describes our strategies for conducting audits, investigations, and evaluations to provide our Department's managers with information they can use to improve the programs and operations they administer and to investigate criminal activity in Department programs. We noted in our Annual Plans for FY 2002 and 2003 that the terrorist attacks on September 11, 2001, caused us to readjust our priorities, and continued threats further emphasize the need. We continue to focus our priorities on those issues to help ensure a safe food supply, identify vulnerabilities to avert accidental or intentional harm to agriculture and the food supply, and help ensure that USDA's information technology systems and resources are secure.

Our priorities for FY 2004 coincide with the initiatives of the President's Management Agenda and the Department's strategic 5-year plan. Some of these areas include: (1) evaluating the effectiveness of the Food Safety and Inspection Service's information systems in scheduling inspection activities and product testing and in timely alerting managers to plants in need of additional attention; (2) evaluating the Animal and Plant Health Inspection Service's implementation of regulations governing the possession, use, and transfer of biological agents and toxins; (3) assessing the Forest Service's implementation of the National Fire Plan; (4) determining the extent of errors in the Risk Management Agency's payment of indemnities; (5) reviewing the Rural Housing Service's loan servicing of single family housing loans, including its automated system to support this function; and (6) determining whether the Department has designated appropriate oversight and controls to prevent the inadvertent commingling of genetically engineered crops with those that are not. We will continue our reviews and proactive approaches to homeland security issues to identify and protect USDA assets and enhance the safety of American agriculture, and continue our reviews of the Department's implementation and administration of programs provided by the Farm Security and Rural Investment Act of 2003. Our investigative resources will continue to be directed to issues affecting food and consumer protection; threats to the health and safety of the public; threats against USDA employees; criminal misconduct by USDA employees; and other criminal activities in USDA programs.

Our resources are also earmarked for continuing mandates for Inspectors General. We are required by the Federal Information Security Management Act (formerly known as the Government Information Security Reform Act) to perform annual reviews of the Department's information security procedures. We will determine what actions agencies have taken to comply with requirements of the Improper Payments Information Act of 2002. Reviews of two agencies – the Agricultural Research Service and the Forest Service – will be conducted to determine if they are in conformance with the Government Performance and Results Act. We will also continue to perform audits or provide oversight of certified public accounting firms conducting audits of the Department's and related agencies financial statements. Recently enacted legislation requires USDA's OIG to perform independent investigations of any Forest Service firefighter whose death is caused by wildfire entrapment or burnover. In addition, we also set aside time to handle those unexpected, critical issues that invariably arise during the course of a year. These could include identifying the cause of food-borne illnesses, reviewing disaster-related situations that might be vulnerable to abuse and fraud, and acting on requests received from members of Congress and USDA agencies.

In FY 2002, we conducted a complete review of OIG's operations with the goal of re-engineering our business practices to take full advantage of state-of-the-art technologies in our audit and investigative activities, streamline operations, and increase office efficiencies. In 2003 we began implementing our re-engineering efforts. We are also developing our strategic planning initiatives for fiscal years 2004 through 2009 which are denoted on page 11. We plan to continue and enhance our efforts this fiscal year so we may provide more proactive assistance to USDA agencies as they carry out new and existing Federal programs and so we may more efficiently investigate and assist in the prosecution of criminal activity in USDA programs.

As always, we encourage agency management to provide input into our planning process and have integrated their suggestions in our FY 2004 plan.

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Phyllis K. Fong
Inspector General

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ACRONYMS/ABBREVIATIONS USED IN THE FY 2004 ANNUAL PLAN

2002 FSRIA	Farm Security and Rural Investment Act of 2002 (new Farm Bill)
2003 AAA	Agricultural Assistance Act of 2003
AICPA	American Institute of Certified Public Accountants
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARPA	Agricultural Risk Protection Act
ARS	Agricultural Research Service
B&I	Business and Industry
BPI	budget and performance integration
BPR	business process re-engineering
CCC	Commodity Credit Corporation
CFO Act	Chief Financial Officers Act of 1990
CFR	Code of Federal Regulations
CFU	Computer Forensics Unit
CIO	Chief Information Officer
CNP	Child Nutrition Program
CPA	certified public account / certified public accounting
CRP	Conservation Reserve Program
CSC	Centralized Servicing Center
CSREES	Cooperative State Research, Education, and Extension Service
DEIP	Dairy Export Incentive Program
DHS	U.S. Department of Homeland Security
E&T	Employment and Training Program
EBT	electronic benefits transfer
EEP	Export Enhancement Program
EQIP	Environmental Quality Incentives Program
ERS	Economic Research Service
FAS	Foreign Agricultural Service
FCIC	Federal Crop Insurance Corporation
FISMA	Federal Information Security Management Act
FLETC	Federal Law Enforcement Training Center
FNS	Food and Nutrition Service
FS	Forest Service
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service

FSP	Food Stamp Program
FY	fiscal year
GAAP	generally accepted accounting principles
GAO	U.S. General Accounting Office
GIPSA	Grain Inspection, Packers and Stockyards Administration
GPRA	Government Performance and Results Act
HACCP	Hazard Analysis and Critical Control Points
IT	information technology
MFH	Multi-Family Housing
NAL	National Agricultural Library
NASS	National Agricultural Statistics Service
NFC	National Finance Center
NFP	National Fire Plan
NITC	National Information Technology Center
NRCS	Natural Resources Conservation Service
NSLP	National School Lunch Program
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
PCIE	President's Council on Integrity and Efficiency
PMA	President's Management Agenda
PVO	Private Voluntary Organizations
RBS	Rural Business-Cooperative Service
RD	Rural Development
RHS	Rural Housing Service
RMA	Risk Management Agency
RRH	Rural Rental Housing
RTB	Rural Telephone Bank
RUS	Rural Utilities Service
SFA	school food authority
SRA	Standard Reinsurance Agreement
SSN	Social Security numbers
TSP	technical service providers
USDA	U.S. Department of Agriculture
WIC	Special Supplemental Nutrition Program for Women, Infants and Children
WRP	Wetlands Reserve Program

MANAGEMENT CHALLENGES

The Reports Consolidation Act of 2000 requires USDA's OIG to identify and report annually the most serious management challenges the Department and its agencies face. To identify these management challenges, we (1) examined previously issued audit reports where corrective actions have not been implemented, (2) assessed ongoing audit and investigative work to identify issues where significant vulnerabilities have been identified, and (3) analyzed new programs and activities, which could pose significant challenges due to their breadth and complexity. We discussed these challenges with USDA officials to obtain their input.

This year, we have summarized USDA's most serious management challenges by issue area, rather than by mission. USDA's major management challenges frequently cross organizational lines within the Department and should be dealt with on a coordinated basis. The management challenges OIG identified last year fall under one or more of the general issue areas we have identified this year. While progress has been made in each challenge facing USDA, more can be done to strengthen management controls, ensure USDA benefits go to those intended, and protect the integrity of USDA's programs and activities. Also, we have identified three new emerging issues that either mandate new requirements or that have not been effectively dealt with on a Departmentwide coordinated basis. OIG has identified 10 Departmentwide and 2 agency-specific challenges we believe are the most significant management issues facing USDA. These challenges are described below.

While the Department has begun actions to address these challenges, OIG audits and investigations have shown that additional actions are necessary. We look forward to working with the Department to evaluate actions taken to address these weaknesses and will make recommendations, where necessary, for further improvements.

DEPARTMENTWIDE CHALLENGES

1. HOMELAND SECURITY CONSIDERATIONS SHOULD BE INCORPORATED INTO PROGRAM DESIGN AND IMPLEMENTATION

The events of September 11, 2001, and subsequent heightened concern about potential terrorist attacks and threats have added a new dimension to the Department's missions and priorities. At issue are USDA's missions to ensure the safety and abundance of the Nation's food supply, from the farm to the table, and to protect the health of American agriculture from the introduction of foreign animal and plant pests and diseases. USDA must now readily identify its assets, perform security risk assessments, and design and implement appropriate safeguards to prevent or deter deliberate acts to contaminate the food supply, disrupt or destroy American agriculture, or harm U.S. citizens. At the same time, USDA and the U.S. Department of Homeland Security (DHS) must also ensure that the current inspection and safeguard processes for the unintentional introduction of pests, diseases, and contaminants on imported products is not overlooked. While the Department has been both proactive and responsive to specific vulnerabilities identified by

OIG, it is still challenged in its efforts to: shift from a focus on safety goals to both safety and security in each of its mission areas; foster effective coordination and communication across jurisdictional lines to better define roles and responsibilities; and increase Departmental oversight of, and accountability by, USDA agencies.

The Department, in response to our audit recommendations, has taken significant steps to incorporate these approaches in restructuring some of its mission activities. However, more needs to be done to provide assurance that established policies and procedures are consistently implemented and that effective inter- and intra-agency coordination and communication continues.

This year, there was a significant transfer of responsibilities and personnel from USDA to DHS. A major challenge now faced by USDA is timely and effective coordination and communication, not only within USDA, but also with DHS. Prior audits disclosed material weaknesses within USDA when certain functions were solely the responsibility of USDA. Therefore, it is imperative that USDA continues to work with DHS to design the appropriate control systems and processes to ensure timely communication and coordination.

2. INCREASED OVERSIGHT AND MONITORING OF FOOD SAFETY INSPECTION SYSTEMS ARE NEEDED TO MEET HACCP'S GOALS

In 1998, the Department, through the Food Safety and Inspection Service (FSIS), implemented a major change to its food safety system and created a new regulatory system for meat and poultry safety within the meat and poultry plants it regulates. The Pathogen Reduction and Hazard Analysis and Critical Control Point (HACCP) rule is the centerpiece of the new regulatory approach because it mandates HACCP, sets certain food safety performance standards, establishes testing programs to ensure those standards are met, and assigns new tasks to inspectors to enable them to ensure regulatory performance standards are met. In 2000, OIG reported on FSIS' implementation of HACCP, concluding that while FSIS had taken positive steps in its implementation of the science-based HACCP system, HACCP plans were not always complete; FSIS needed to place greater emphasis on pathogen testing; and it needed to define its oversight role in the HACCP system, and hold plants accountable for noncompliance. During 2002, USDA experienced some of the largest recalls in its history. OIG's reviews of two of these recalls in the past year indicate that FSIS still faces significant challenges to ensure the successful implementation of HACCP. Most critical to this process are: FSIS' assessment of plant HACCP plans and resolution of any deficiencies; establishment of management controls to accumulate and analyze data to monitor and assess the adequacy of food safety systems; establishment of criteria to initiate enforcement actions; baseline studies to define the goals, objectives, and performance measurements for pathogen testing programs; and better supervision and oversight of field inspection processes. Also, FSIS must reassess its recall process, including traceback policies, to identify the product source, and improve monitoring to ensure timely notification of the recall and maximum recovery of the product. While FSIS has generally been responsive to these issues and has made some changes to its inspection policies

and procedures, complete corrective actions and estimated timeframes for addressing these weaknesses are not yet known.

An additional challenge for FSIS is to complete its proposed actions in response to OIG's prior audit of the imported meat and inspection process. OIG's followup review reinforced the need for FSIS to complete an in-depth assessment of its organizational structure and establish a system of control objectives and processes to ensure the goals of the import inspection process are achieved.

**3. RISK MUST BE EXAMINED AND IMPROPER PAYMENTS MINIMIZED
WITHIN USDA – Emerging Issue**

USDA faces a new management challenge with the implementation of the Improper Payments Information Act of 2002 (Public Law 107-300). The Act requires each Federal agency head to: (1) review all programs and activities and identify those which are susceptible to significant improper payments; (2) statistically estimate the annual amount of improper payments; (3) implement a plan to reduce improper payments; and (4) annually report the estimates and progress made in reducing improper payments. Compliance with this Act will require sustained intensive effort and commitment by the Department. Successful implementation will require a strong internal control structure, to include management commitment and the necessary resources, quality control processes, and information systems to measure the extent of erroneous payments. The ultimate challenge will be to design internal control systems to detect and prevent improper payments before "they go out the door." The challenges we reported last year relating to ineligible payments in the food assistance programs, as well as in the crop insurance program (lack of an effective quality control process over reinsurance companies in the determination of indemnities for losses), should be corrected when the requirements of this Act are fully implemented and measures have been taken to reduce improper payments to an acceptable level.

**4. FINANCIAL MANAGEMENT – IMPROVEMENTS MADE BUT ADDITIONAL
ACTIONS STILL NEEDED**

In FY 2002 financial statements, USDA reported assets of over \$123 billion and program costs of over \$72 billion. Actions taken by the USDA Office of the Chief Financial Officer (OCFO) and the agencies' financial management staff resulted in the Department achieving its first unqualified audit opinion on the FY 2002 Consolidated Financial Statements. While the achievement of an unqualified opinion represents a major accomplishment, USDA needs to continue to improve its underlying financial management systems, with less reliance on extensive ad hoc efforts to produce timely financial data. Also, USDA should continue to review its legacy systems, and consolidate and update the systems, as appropriate, to meet present accounting standards and management needs. This is especially critical in light of the accelerated timeframes for producing audited financial statements, as well as for directing limited resources to other critical needs. OCFO has initiatives underway to (1) renovate the Department's corporate administrative systems, (2) establish and implement cost accounting

principles and methodologies, (3) improve the process for accounting for real and personal property, and (4) enhance overall financial management accountability and control. These are significant actions that demonstrate USDA's recognition of the challenge it faces.

5. INFORMATION TECHNOLOGY SECURITY – MUCH ACCOMPLISHED, MORE NEEDED

USDA depends on information technology (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 cyber attack on its IT infrastructure, whether by terrorists seeking to destroy unique databases or criminals seeking economic gains. While the Department and its agencies continue to strive to improve the security over IT resources, significant progress is still needed toward establishing an effective security program. Specifically, increased management involvement and commitment at the agency level is needed to effectively implement a strong IT security program. Despite the efforts of OIG and the Office of the Chief Information Officer during the past several years to heighten awareness of security issues, our reviews in 10 agencies during this year continue to show that the Department and its agencies are not yet in compliance with Office of Management and Budget (OMB) Circular A-130, Appendix III. This noncompliance includes preparing security plans for all major applications, conducting risk assessments, establishing disaster recovery plans, and implementing a system certification/authorization process. We also continue to find that agencies do not have strong physical and logical access controls over IT resources and have not yet effectively used the vulnerability scanning tools provided by the Department to identify and mitigate known security vulnerabilities in their systems.

6. CONTROLS OVER GERMPLASM STORAGE MATERIAL AND GENETICALLY ENGINEERED ORGANISM FIELD TESTING ARE CRITICAL TO U.S. MARKETS – *Emerging Issue*

The use of biotechnology-derived or genetically engineered crops has grown significantly over the past decade, particularly in the United States. In 2001, approximately 88 million acres of such crops were planted in the United States. For the 2003 crop year, as much as 80 percent of the planned 73.2 million acres for soybeans and approximately 38 percent of the planned 79 million acres for corn were planted with genetically engineered seeds. These two crops constitute a major portion of American exports of agricultural production. The acceptance of genetically engineered crops in the world market, however, is mixed. The loss of these major export markets could seriously impact the American agricultural economy. Critics have questioned the effect of long-term consumption of such genetically engineered crops on the health of humans and livestock, but so far, the evidence to support such a determination is still pending. Countering such criticisms are the benefits of such genetically engineered crops: boosting yields; lowering costs; reducing pesticide use; and making crops more resistant to disease, pests, and drought.

USDA plays a major role in regulating and monitoring genetically engineered crops – from the storing of germplasm used to produce seeds for such crops, to approving field testing of genetically engineered crops, to providing assistance for export of American agricultural production. The Department must balance the goals of: (1) maintaining adequate accountability and integrity of genetically engineered versus non-genetically engineered seeds and crops; (2) ensuring the health and safety of the American food supply; and (3) maintaining the export levels of American agricultural production against the added costs to implement such controls and the uncertainty of the effects of genetically engineered crops. In our recent review of the Department’s germplasm storage system, we found the need for increased accountability and tracking controls over genetically engineered germplasm if USDA is to provide assurance to other markets. USDA must also address public concerns that field-testing applications have been properly reviewed, field testing is adequately monitored, and proper surveillance is in place to preclude such crops from entering the human food process.

7. CIVIL RIGHTS COMPLAINTS PROCESSING STILL A CONCERN AT USDA

In March 2000, OIG reported that minimal progress had been made in overcoming inefficiencies in processing civil rights program and employment complaints. Deficiencies disclosed in OIG’s five prior audit reports had not been corrected. The March 2000 report noted that the Office of Civil Rights (CR) did not reengineer its complaint resolution process, its database and file room remained poorly managed, and a large backlog of cases was stalled in the “intend-to-file” category and/or may not have received due care. To correct these long-standing problems, OIG recommended that CR implement a management plan that would address effective leadership, change the organizational culture, focus on customers, and reengineer its processes. Until that plan is fully implemented, resolving civil rights complaints will remain a management challenge for USDA. In September 2002, the General Accounting Office reported that the processing of program complaints continued to exceed required timeframes. The Department has demonstrated the importance it places on civil rights when the first Assistant Secretary for Civil Rights was sworn into office on April 1, 2003. OIG will continue to work with the Department to strengthen the operations of the civil rights program.

8. RESEARCH MISCONDUCT POLICY NOT CONSISTENTLY IMPLEMENTED – *Emerging Issue*

USDA plays a major role in U.S. agricultural research activities, providing well over \$1 billion annually for research to increase American agriculture production and to protect and treat American agricultural crops against foreign plants and animal pests and diseases. Research integrity is critical to the mission of USDA. In December 2000, the President’s Office of Science and Technology Policy issued a Federal policy to establish uniformity among Federal agency definitions and treatment of research misconduct. USDA, however, has not implemented a coordinated Departmentwide policy or procedures for the treatment of research misconduct; responsibility for implementing the Federal policy was delegated to each agency within USDA. In an ongoing OIG review, we found that most USDA agencies have not implemented any research misconduct policies and procedures. In those agencies that had implemented a policy,

procedures were inconsistent and relied primarily on in-house resources to review allegations of research misconduct. In the absence of consistent policies, USDA has no assurance that potential research misconduct involving USDA funds is being timely referred, independently adjudicated, and appropriately resolved, including determining whether criminal investigation is warranted.

9. **USDA FACES MAJOR CHALLENGES IN IMPLEMENTING THE 2002 FARM BILL AND DISASTER ASSISTANCE LEGISLATION**

The multi-billion dollar Farm Bill, the Farm Security and Rural Investment Act of 2002 (Act), enacted new or reauthorized existing farm income, commodity support, and conservation programs for crop years 2002 through 2007. This Act made significant changes in the support of production agriculture. Efficient and effective performance and management of these programs are critical to the missions of the Farm Service Agency (FSA) and the Department and necessitated by the magnitude of funding for the programs (program outlays for the Commodity and Conservation provisions are estimated to be about \$63 billion over the duration of the Act). For example, new Direct and Counter-Cyclical Program payments through 2007 are based on one-time base and yield options that producers selected by April 1, 2003. If errors and irregularities in the bases and yields are not prevented or timely detected, resultant improper payments may be perpetuated throughout the 6-year life of the program.

The Agricultural Assistance Act of 2003 provided \$3.1 billion for qualifying 2001 or 2002 disaster losses of crops, livestock, and grazing in addition to the “regular” farm program assistance under the Farm Bill. Such ad hoc disaster assistance programs are particularly susceptible to fraud, waste, or abuse in that they are not implemented timely to coincide with the physical evidence of loss and greater reliance must be placed on producers’ self-certifications of qualifying damage or loss. Prior audits of similar ad hoc disaster assistance programs have identified ongoing concerns with payments to ineligible recipients or for ineligible or overstated losses.

USDA’s challenge is to effectively work across organizational lines to ensure that data is shared, discrepancies are resolved in automated systems, and problems found in internal reviews and audits are coordinated and analyzed for their impact on program payments in each affected agency.

10. **INTEGRITY OF THE FEDERAL CROP INSURANCE PROGRAMS POLICYHOLDERS’ DATABASE MUST BE STRENGTHENED**

The Federal crop insurance programs, administered by the Federal Crop Insurance Corporation (FCIC) in conjunction with the Risk Management Agency (RMA), have become the American producers’ primary “safety net.” Over the years, as Congress mandated changes to the programs, the Federal crop insurance programs have grown significantly, particularly after the passage of the Agricultural Risk Protection Act of 2000 (ARPA). Under ARPA, Congress encouraged participation by American producers by increasing the level of subsidized premiums. By crop

year 2002, crop insurance coverage increased to 216 million acres with a total Government insurance liability of over \$37 billion. However, indemnity payments and subsidy reimbursements have also increased: for the 2000 crop year, indemnity payments totaled approximately \$4 billion, while the Government's subsidized share of the insurance premium totaled approximately \$1.7 billion. At the same time, RMA has not been able to determine the level of improper or erroneous payments under its programs. To ensure the integrity of its program payments, RMA must continue to improve and strengthen its policyholders' database by effectively implementing all of the provisions under ARPA, and improving its Data Acceptance System (DAS). ARPA mandated that additional methods of ensuring Federal crop insurance program compliance integrity be developed and implemented, including a plan for FSA to assist RMA in the ongoing monitoring of crop insurance programs. RMA has not yet fully implemented the required data reconciliation between FSA records and RMA records. Data mining was also stipulated under ARPA; RMA has acknowledged that data mining has provided constructive feedback to the agency. RMA's DAS is intended to perform as a series of edits on information submitted by the insurance companies before it is incorporated into RMA's electronic Policyholder Database. Audit results, however, have shown that the information contained in the system and used to drive RMA's accounting system may not be reliable and/or compliant with OMB core and Federal financial system requirements.

AGENCY-SPECIFIC CHALLENGES

11. STRONG INTERNAL CONTROL STRUCTURE IS CRITICAL TO THE DELIVERY OF FOREST SERVICE PROGRAMS

The Forest Service (FS) needs to continue to improve its system of internal controls to ensure the agency is accountable for the efficient and effective delivery of its programs. The decentralized organizational structure of the FS makes it imperative that a well-defined system of controls be in place and effectively operating. For example, a strong internal control structure is essential to FS's challenge of implementing the National Fire Plan to deal with recent catastrophic fires. Our initial work found that controls were not adequate to ensure that funds were spent as intended and budget estimates provided by the agency for the implementation of the fire plan accurately reflected its needs. These issues are consistent with the control weaknesses found in other programs administered by FS, such as grant award and administration, timber environmental analyses, and the agency's implementation of the Government Performance and Results Act. FS has begun actions to resolve individual issues; however, a comprehensive evaluation of its systems of internal controls has not been completed. These weaknesses have impeded FS' ability to effectively prioritize its work and fund those projects most essential to its mission.

12. IMPROVEMENTS AND SAFEGUARDS NEEDED FOR RURAL MULTI-FAMILY HOUSING PROGRAM

A substantial portion of the Rural Housing Service's (RHS) current Rural Rental Housing (RRH) loan portfolio involves properties over 20 years old. RHS faces a major challenge to maintain its portfolio in good repair so that it will continue to provide safe, decent, and affordable housing for

low to moderate income rural residents. RHS needs to address several challenges in its management of the Multi-Family Housing (MFH) program. RHS needs to: inspect and repair its aging portfolio; accurately report to Congress the units built in its guaranteed MFH program; plan for future increases in rental assistance costs; implement wage matching to identify excessive rental assistance costs; fairly use equity incentives to keep RRH projects in the program; and continue to implement regulatory and other internal controls to address deficiencies that have been identified in the program.

THE OIG MISSION

OIG was legislatively established in 1978 with the enactment of the Inspector General Act (Public Law 95-452). The act requires the Inspector General to independently and objectively

- perform audits and investigations of the Department's programs and operations;
- work with the Department's management team in activities that promote economy, efficiency, and effectiveness or that prevent and detect fraud and abuse in programs and operations, both within USDA and in non-Federal entities that receive USDA assistance; and
- report OIG activities to the Secretary and the U.S. Congress semiannually as of March 31 and September 30 each year.

We accomplish this mission by

- investigating allegations of criminal activity and other wrongdoing;
- using preventive audit approaches, such as reviews of systems under development;
- conducting audits of the adequacy and vulnerability of management and program control systems; and
- auditing the adequacy of large USDA payments, such as insurance and deficiency payments, major loans, and reimbursements for school breakfasts and lunches.

OIG is headquartered in Washington, D.C., and has regional offices located in Atlanta, Georgia; Beltsville, Maryland; Chicago, Illinois; Kansas City, Missouri; San Francisco, California; and Temple, Texas. Our Financial and Information Technology Operations regional office is also located in Kansas City, Missouri, as is our Computer Forensics Unit.

We emphasize service to management at all levels of the Department by briefing senior Department officials on major audits and investigations. We also work with agency managers, as part of a consolidated team, by directly encouraging management input into the audit and investigative process to help resolve difficult problems impacting program management and operations. As a member of the President's Council on Integrity and Efficiency (PCIE), we participate with other Inspectors General in multiagency projects where the issues are crosscutting and need to be addressed Governmentwide.

AUDIT AND INVESTIGATIVE UNIVERSE

The audit and investigative universe comprises all programs, functions, and organizations, and the contractors and grantees for which USDA is responsible. USDA's FY 2004 proposed budget contains a broad agenda of programs to support the Department's agencies and program operations. The annual program level, over \$105 billion, represents the value of benefits provided to the public by USDA. These benefits may be in the form of financial assistance through grants, payments, guaranteed or direct loans, cost-sharing, professional services such as research or technical assistance, or in-kind benefits such as commodities.

USDA programs are delivered in every State, county, and city in the Nation by over 108,000 Federal and non-Federal government employees. USDA also maintains an international field structure, administered by the Foreign Agricultural Service, which includes Agricultural Counselors, Attaché and Affiliate Foreign National Offices, Agricultural Trade Offices, and a number of agricultural advisors covering several countries around the world. USDA is involved in extensive food quality and safety issues, homeland and bio-security concerns relating to threats to agriculture, food aid and assistance programs both across the Nation and abroad, market development activities, rural development initiatives, environmental and biotechnology issues, and a wide range of export promotion programs.

BUSINESS PROCESS RE-ENGINEERING

In FY 2002, OIG embarked on an agencywide review of our business practices to determine how we could achieve greater efficiencies in carrying out our operations and activities. Our goals were to streamline our processes and implement more modern business practices through the use of state-of-the-art information technology (IT) to free our employees to do more of the work they are uniquely qualified to do.

During FY 2003, OIG continued to implement the recommendations developed as part of our agencywide review of business practices. While the initial stages of our Business Process Re-engineering (BPR) review are complete, we are currently making the changes needed to improve efficiencies in our operations. Our detailed, 3-year strategic plan to equip our employees with state-of-the-art technologies and train them in the use of these new automated tools is proving a useful guide to our transformation.

A number of task forces, composed of representatives from all parts of the agency, are addressing recommendations affecting the agency as a whole. During FY 2004, these task forces will build on our progress and continue to implement needed changes in information technology, OIG's Web site, recruitment, management development, and a number of other areas. In addition, Investigations and Audit will continue to implement and develop recommendations that affect only those disciplines. We will also continue to review OIG processes to achieve additional efficiencies and economies.

Our IT infrastructure and security changes support and complement the President’s e-Government Management Agenda initiative. Consistent with the President’s outsourcing initiative, our BPR review has resulted in contracting out certain activities, such as financial statement audit work, an IT helpdesk, and other IT support for our regional offices. Many Governmentwide studies support our conclusion that it is more effective to contract out certain work than to perform it internally.

We have made substantial progress in bettering our vital human capital resources – another critical Presidential Management initiative – by redirecting and realigning them to the tasks most critical to the agency and providing them with the latest equipment, technologies, and training available to perform these tasks. Finally, the BPR results continue to help us relate our performance to OIG’s budget expenditures as required under the Government Performance and Results Act.

STRATEGIC PLANNING

Our strategic approach to planning and prioritizing audit and investigative activities enables us to focus our resources on those programs most vulnerable to criminal activity, or those where the largest dollar losses are most likely to occur. In each strategic area, we establish goals and plans for both short- and long-term emphasis. We work closely with agency management to identify those areas where we could provide assistance in resolving difficult issues. We have committed to four strategic business goals in the achievement of the Department’s mission for the upcoming year and into FY 2009.

STRATEGIC BUSINESS GOALS	
Goal 1: Support USDA Management in the Identification and Reduction of Vulnerabilities in Benefits Programs	Strategy 1-1. Identify areas of emphasis in USDA programs that require the focus of OIG resources to address areas of program vulnerability.
	Strategy 1-2. Develop and increase external relationships with USDA and other agencies, organizations, and individuals to enhance OIG efforts.
	Strategy 1-3. Implement proactive efforts in USDA program design, development and matters of USDA vulnerability.
Goal 2: Support USDA in the Enhancement of Safety and Security Measures to Protect Agricultural Resources and Related Public Health Concerns	Strategy 2-1. Identify areas of emphasis that require the focus of OIG resources to enhance the safety and security measures used to protect agricultural resources and related public health concerns.
	Strategy 2-2. Improve and increase external relationships with USDA and other agencies, organizations, and individuals to enhance OIG efforts.
	Strategy 2-3. Implement proactive efforts in USDA program design, development, and matters of agricultural resources safety and security.

STRATEGIC BUSINESS GOALS	
Goal 3. Maximize USDA Effectiveness Through Increasing the Efficiency With Which USDA Manages and Employs Public Assets and Resources	Strategy 3-1. Identify areas of emphasis in USDA programs that require the focus of OIG resources to increase effectiveness and efficiency in the management of USDA's public assets and resources.
	Strategy 3-2. Improve and increase external relationships with USDA and other agencies, organizations, and individuals to enhance OIG efforts.
	Strategy 3-3. Implement proactive efforts in USDA program, design, development, and matters of USDA management information and financial reporting systems.
Goal 4. Ensure OIG Readiness to Achieve Its Strategic Business Goals.	Strategy 4-1. Develop and maintain a workforce with the skills and abilities to meet current and future challenges.
	Strategy 4.2. Acquire and deploy state of the art technology and equipment.
	Strategy 4.3. Develop a culture that is excellence based.
	Strategy 4.4. Structure the OIG organization for maximum efficiency.

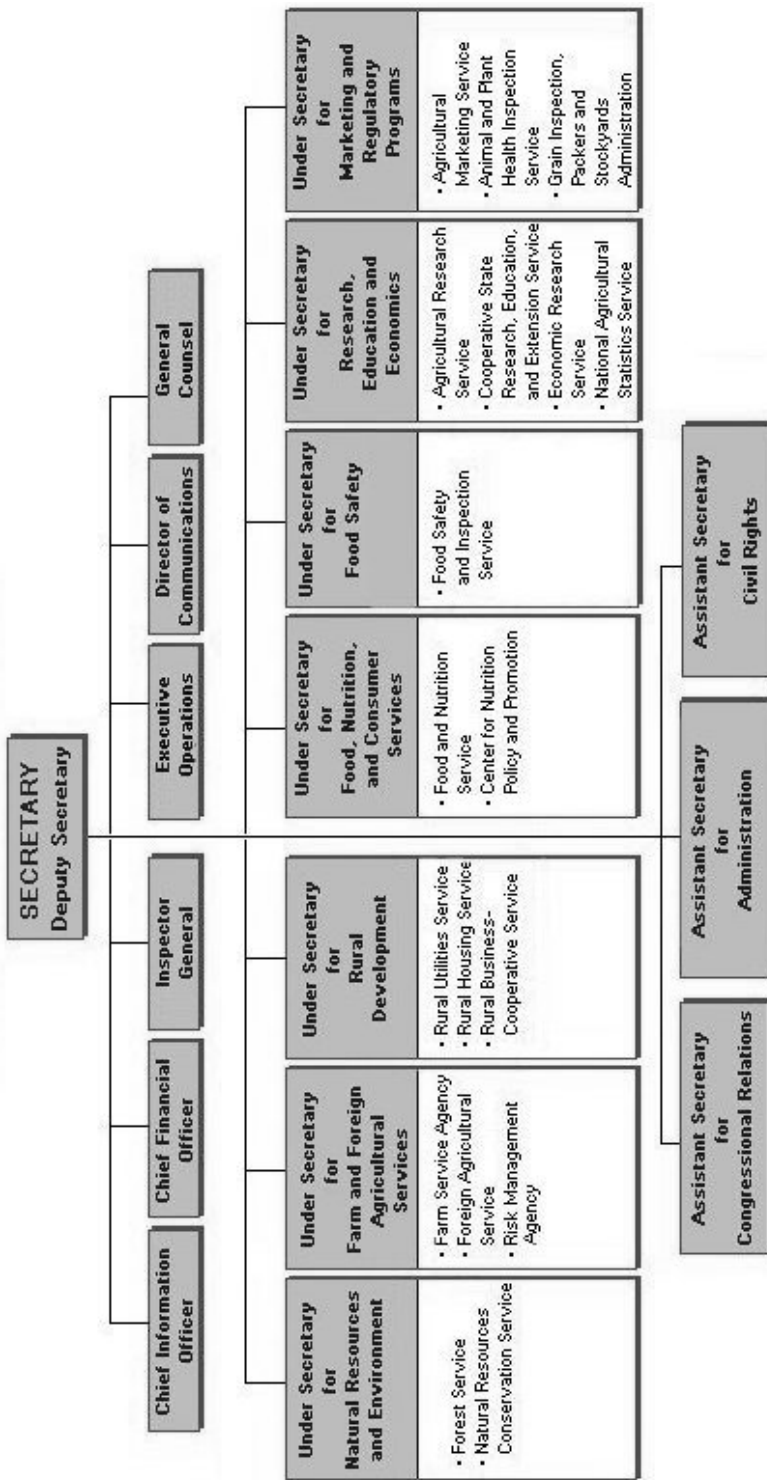
In addition, we took into consideration the goals and objectives of the FY 2002 President's Management Agenda (PMA) and the Department's 5-year Strategic Plan for 2002 through 2007 (dated September 2002) in formulating our annual strategies. We strive to connect the audits planned for the upcoming fiscal year to the goals and objectives reflected in these two critical documents as well as in OIG's Strategic Plan for FY 2004-2009. Following is a matrix of OIG's strategic areas that reflect the initiatives and objectives noted in both the PMA and in USDA's 2002-2007 Strategic Plan.

Descriptions of our strategies and examples of planned audit and investigative work within the strategies are described in more detail in appendix I. A description of major audits and a complete list of all audits planned can be found in appendices II and III.

USDA's 5-year Strategic Plan for FY 2002-2007	OIG's Annual Strategies
Goal 1: Enhance Economic Opportunities for Agricultural Producers	
Objective 1.1: Expand International Marketing Opportunities	Market Development
Objective 1.2: Support International Economic Development and Trade Capacity Building	Market Development Research and Technology Transfer
Objective 1.3: Expand Alternative Markets for Agricultural Products and Activities	
Objective 1.4: Provide Risk Management and Financial Tools to Farmers and Ranchers	Risk Management Farm Programs
Goal 2: Support Increased Economic Opportunities and Improved Quality of Life in Rural America	
Objective 2.1: Expand Economic Opportunities Through USDA Financing of Business	Rural Development Research and Technology Transfer
Objective 2.2: Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities, and Needed Community Facilities	Rural Development
Goal 3: Enhance Protection and Safety of the Nation's Agriculture and Food Supply	
Objective 3.1: Reduce the Incidence of Food-borne Illnesses Related to Meat, Poultry, and Egg Products in the U.S.	Homeland Security Protecting U.S. Food Supply and Agriculture Research and Technology Transfer
Objective 3.2: Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks	
Goal 4: Improve the Nation's Nutrition and Health	
Objective 4.1: Improve Access to Nutritious Food	Entitlement Programs
Objective 4.2: Promote Healthier Eating Habits and Lifestyles	Research & Technology Transfer
Objective 4.3: Improve Food Program Management and Customer Service	
Goal 5: Protect and Enhance the Nation's Natural Resource Base and Environment	
Objective 5.1: Implement the President's Healthy Forest Initiative and Other Actions to Improve Management of Public Lands	Forest Service Natural Resources Conservation Service Management and Control of Environmental Hazards
Objective 5.2: Improve Management of Private Lands	Homeland Security
Management Initiatives/President's Management Agenda	
Improve Human Capital Management	Civil Rights Integrity of USDA Personnel Government Performance and Results Act
Improve Financial Management	Accounting and Financial Management Information Technology/Security
Expand Electronic Government	Information Technology/Security
Establish Budget and Performance Integration	Accounting and Financial Management Government Performance and Results Act

USDA ORGANIZATIONAL CHART

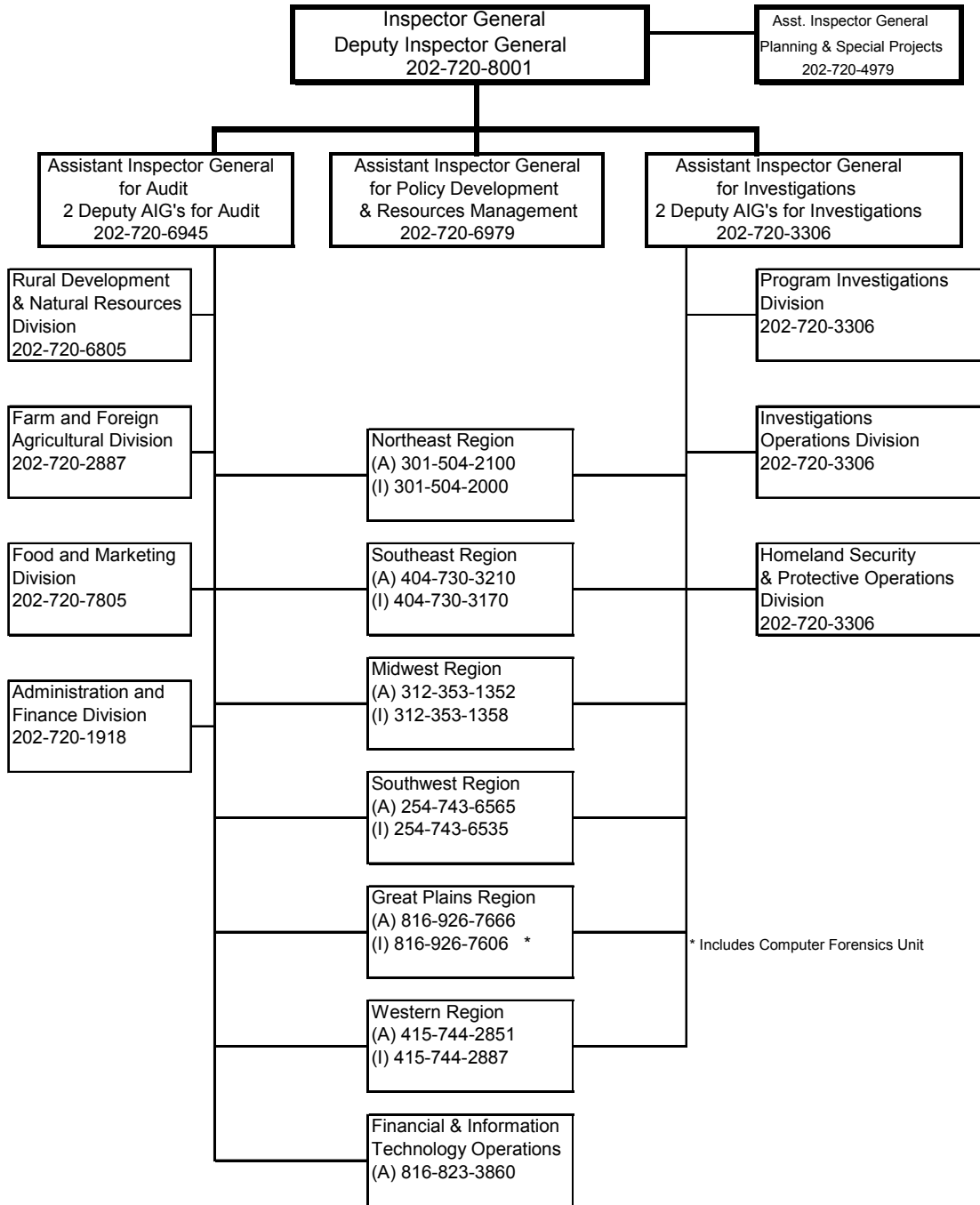
Headquarters Organization



Updated April 2003

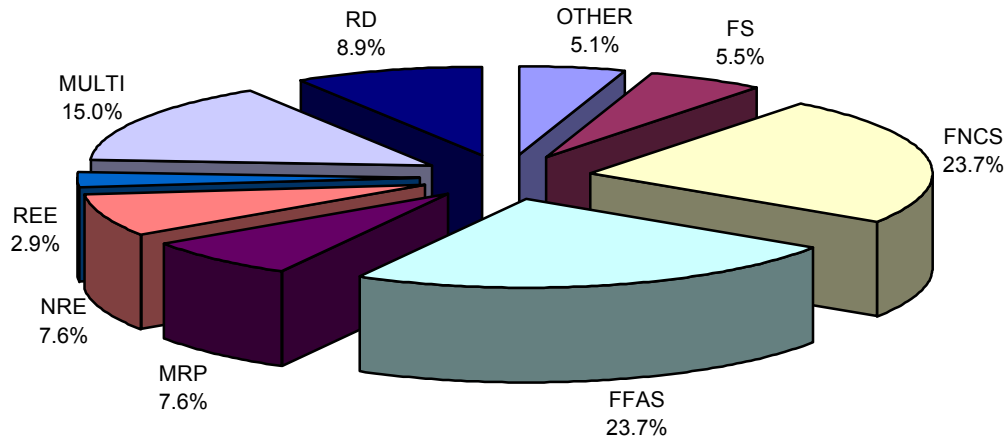
OIG ORGANIZATIONAL CHART

As of December 2003



OIG's mission is to conduct audits, investigations, and evaluations of USDA programs and operations to affect positive change.

**FY 2004 ANNUAL PLAN
DISTRIBUTION OF OIG RESOURCES
BY UNDER AND ASSISTANT SECRETARIES**



LEGEND

NRE	Under Secretary, Natural Resources and Environment
FFAS	Under Secretary, Farm and Foreign Agricultural Services
RD	Under Secretary, Rural Development
FNCS	Under Secretary, Food, Nutrition, and Consumer Services
FS	Under Secretary, Food Safety
REE	Under Secretary, Research, Education, and Economics
MRP	Under Secretary, Marketing and Regulatory Programs
OTHER	Includes Administration, Civil Rights, OCIO, and OCFO

**DISTRIBUTION OF OFFICE OF INSPECTOR GENERAL RESOURCES
PERCENTAGE BY AGENCY
FY 2004 PLANNED**

NATURAL RESOURCES AND ENVIRONMENT	Forest Service	6.0
	Natural Resources Conservation Service	1.6
FARM AND FOREIGN AGRICULTURAL SERVICES	Farm Service Agency	14.4
	Foreign Agricultural Service	.9
	Risk Management Agency	8.4
RURAL DEVELOPMENT	Rural Development (financials)	1.1
	Rural Utilities Service	.6
	Rural Housing Service	4.8
	Rural Business-Cooperative Service	2.4
FOOD, NUTRITION, AND CONSUMER SERVICES	Food and Nutrition Service	23.7
FOOD SAFETY	Food Safety and Inspection Service	5.5
MARKETING AND REGULATORY PROGRAMS	Agricultural Marketing Service	1.8
	Animal and Plant Health Inspection Service	4.8
	Grain Inspection, Packers and Stockyards Administration	1.0
RESEARCH, EDUCATION, AND ECONOMICS	Agricultural Research Service	1.7
	Cooperative State Research, Education, and Extension Service	1.2
	National Agricultural Statistics Service	*
	Economic Research Service	*
MULTIPLE AGENCY		15.0
OTHER	Administration; Civil Rights; OCFO; OCIO	5.1

*No OIG time planned for this agency; however it may be included in multi-agency reviews and/or other unplanned work.

INVESTIGATIONS

Investigations are authorized inquiries to gather the facts needed to resolve an allegation that someone has violated a law or regulation pertaining to USDA programs or operations.

OIG Special Agents are criminal investigators who specialize in the investigation of crimes involving USDA programs. Each investigator receives initial training at the Federal Law Enforcement Training Center (FLETC) in Glynco, Georgia. Additional training in law enforcement procedures, investigative techniques, and USDA program regulations is provided throughout the career of the investigator.

Computer Forensic Unit computer specialists are uniquely trained members of our investigative team who assist Special Agents during investigative activities involving electronic/digital evidence collection and analysis. These specialists have received in-depth training through FLETC and other specialized providers relating to the investigation of high-tech criminal activity.

INVESTIGATIVE PLANNING

The investigative planning process focuses on identifying program vulnerabilities and investigative priorities, which establishes the general guidelines for the allocation of our investigative resources. It includes an analysis of historical patterns, trends, and results; a review of recent legislative, regulatory, and program changes; consideration of U.S. Department of Justice prosecutive guidelines; consideration of budgetary and staffing restrictions; and coordination with audit activities. Through the investigative planning process, we have identified priorities that include the timely investigation of

- threats to the health and safety of the public, agriculture infrastructure and USDA employees, such as the sale of tainted food products, food product tampering, the introduction or dissemination of animal and plant diseases through intentional acts or inadvertently through the smuggling of prohibited plants, animals, and other products, homeland security issues, as well as threats against and assaults of USDA employees;
- issues involving allegations of USDA employee bribery, conflict of interest, embezzlement, theft, misuse of computers, including Internet fraud and accessing child pornography, or collusion with program participants; and
- other criminal activity in the loan, regulatory, and benefit programs.

In preparing our plan for FY 2004, we analyzed data on requests for investigations received in previous years, the number of cases opened, and the results of those investigations. We reviewed recent legislative, regulatory, and program changes, and contacted agencies within USDA for suggestions and recommendations. We also reviewed audit plans for FY 2004 and considered

our budget and anticipated staffing. Based on these considerations, we developed general guidelines for emphasizing areas for investigation.

Our regional managers will review these guidelines during FY 2004 as they decide which referrals to take on as active cases. They will also consider the potential program impact, the likelihood of criminal prosecution, the likelihood of large civil monetary recovery, and the deterrent value.

The majority of the investigations are based on referrals from USDA agencies. Departmental Regulation 1700-2, "OIG Organization and Procedures," requires that USDA agencies expeditiously report known or suspected violations of law or regulations to OIG. Activities which must be reported to OIG include:

- alleged violations of Federal criminal statutes,
- allegations of criminal conduct or serious misconduct involving any USDA employee.

THE INVESTIGATIVE PROCESS

The investigative process usually begins with the receipt of an allegation of criminal activity from any source, including the OIG USDA Hotline, USDA agency officials, other government agencies, or the public. Investigations are opened in OIG regional offices in accordance with priorities and general guidelines established at the headquarters level.

After an investigation is opened, it is assigned to a Special Agent who plans the investigation. This planning process includes a review of the criminal and civil statutes, program regulations, and Departmental or agency policies that may be involved. The Special Agent then conducts the investigation, which may require interviewing witnesses, reviewing and analyzing records, obtaining physical evidence, and conducting surveillance and undercover operations. If the Special Agent determines that a crime has been committed, he or she will discuss the investigation with a Federal and/or local prosecutor to determine if prosecution will be pursued. Upon completion of the investigation, the Special Agent prepares an investigative report summarizing the facts disclosed during the investigation.

The investigative report is distributed to prosecuting attorneys and agency officials who may have an official interest in the results of the investigation. If the prosecuting attorney decides to proceed with a criminal or civil prosecution, the Special Agent assists the attorney in any preparation for court proceedings that may be required. This assistance may include serving subpoenas, locating witnesses, executing arrest and search warrants, and testifying before a grand jury and at trial.

At the conclusion of any court actions, we advise the administrative agency involved of the court results and monitor any corrective or disciplinary action that may be taken by the agency. OIG

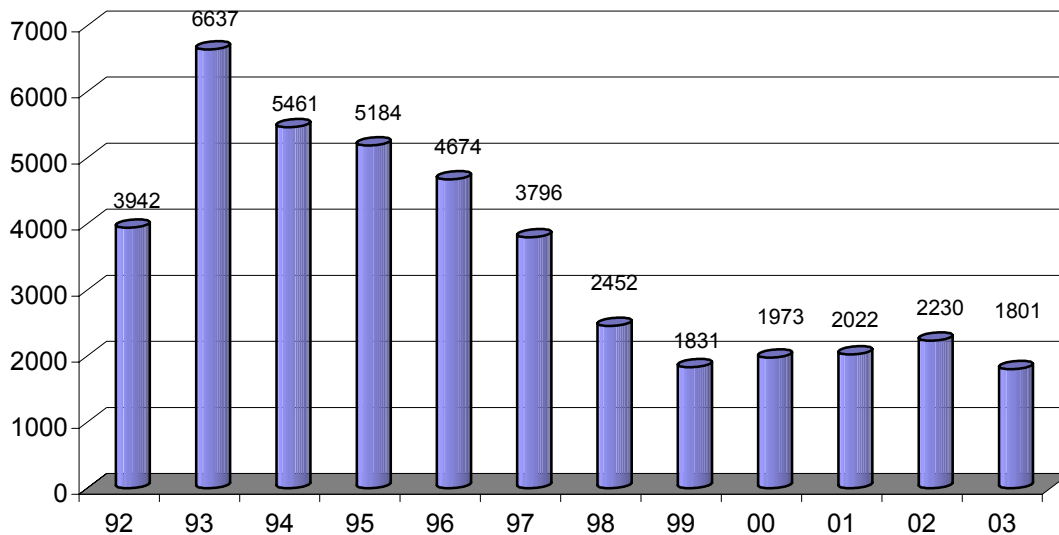
collects data summarizing the judicial and administrative results of its investigations and includes this data in its semiannual reports to the U.S. Congress.

HOTLINE

Established under the provisions of the Inspector General Act of 1978, OIG operates the USDA Hotline in accordance with procedures recommended by the PCIE. Allegations received through the Hotline may involve any agency, program, or employee of USDA. The OIG USDA Hotline staff review and analyze each complaint and refer them for inquiry and appropriate action. Complaints are referred to OIG Audit or Investigations, to the USDA agency responsible for the program, or to the responsible Federal, State, or local agency. For complaints requiring a response back to OIG, the Hotline staff must determine whether the USDA agency's response to the complaint is adequate and whether to recommend further investigative or audit work by OIG. Significant audit findings, investigative results and administrative program changes have been obtained based on information received through this critical function.

During FY 2002, the USDA Hotline received, reviewed, and processed 2,230 complaints from USDA employees and the general public. In FY 2003, 1,801 complaints were received. The following graph depicts the Hotline activity over the last 12 years.

HOTLINE COMPLAINTS RECEIVED FY's 1992-2003



The USDA Hotline has a toll-free telephone number for reporting fraud, mismanagement, or waste in a USDA program or misconduct by a USDA employee. Callers may choose to remain anonymous or may request that OIG keep their identity confidential. OIG will also pay a cash reward for information leading to convictions of persons defrauding USDA programs.

We have three Hotline numbers established for use by the public and Departmental employees. These numbers can be called while law enforcement analysts are on duty 8:00 a.m. to 4:00 p.m., eastern time, Monday through Friday. Complainants may also write to the OIG Hotline at P.O. Box 23399, Washington, D.C. 20026. USDA Hotline contact information is provided to USDA employees and the public via formal training, posters, and business cards. In addition, this information can be found on the USDA and OIG home pages via the Internet (www.usda.gov/oig/Hotline.htm).



800-424-9121

This is a toll-free number to be used outside Washington, D.C.



202-690-1622

This number is to be used in the Washington, D.C., metropolitan area.



202-690-1202

This number connects to a telecommunications device for the hearing impaired.
(NO TOLL FREE NUMBER, CALL COLLECT)

SPECIAL REPORTING OF BRIBES OR GRATUITIES

Many USDA employees serve as inspectors and graders of meat, poultry, dairy products, eggs, and produce or distribute USDA program services and benefits. These employees are occasionally subject to offers of bribes and gratuities to influence their official duties. Also, USDA employees' duties on occasion can lead to confrontations, which may lead to threats or violence against the USDA employee. USDA employees who receive bribe offers or threats may contact OIG via the direct line telephone number indicated below. Special Agents respond 24 hours a day. Complainants may also write to the Office of Inspector General at P.O. Box 23399, Washington, D.C. 20026.



202-720-7257

This number is to be used by USDA employees to report offers of bribes or gratuities during normal business hours.



888-620-4185

24 hours a day.

OIG INVESTIGATIONS EMERGENCY CONTACTS

HEADQUARTERS

Duty Hours (8am – 4pm)
(202) 720-7257

24-Hour Duty Agent Pager
(888) 620-4185

REGIONAL OFFICE LOCATIONS

Northeast Region
Beltsville, MD

Phone	(301) 504-2000	(7am - 5:00pm)
Duty Pager	(888) 436-6158	(24 hrs)
Fax	(301) 504-2025	

Areas Served: Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia

Southeast Region
Atlanta, GA

Phone (404) 730-3170 (24 hrs)
Fax (404) 730-3181

Areas Served: Alabama, Florida, Georgia, Puerto Rico, South Carolina, Tennessee, and U.S. Virgin Islands

Midwest Region
Chicago, IL

Phone (312) 353-1358 (7:30am - 5:00pm)
Duty Pager (888) 803-8174 (24 hrs)
Fax (312) 353-8963

Areas Served: Indiana, Kentucky, Michigan, Ohio, eastern district of Wisconsin, and the northern district of Illinois

Southwest Region
Temple, TX

Phone (254) 743-6535 (7:30am – 5:00pm)
Duty Pager (800) 752-3307 + 618-2305 (24 hrs)
Fax (254) 298-1358

Areas Served: Arizona, Arkansas, Louisiana, Mississippi, New Mexico, Nevada (Las Vegas, Clark County), Oklahoma, and Texas

Great Plains Region
Kansas City, MO

Phone (816) 926-7606 (24 hrs)
Fax (816) 926-7699

Areas Served: Colorado, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wyoming, Utah, western district of Wisconsin, and southern district of Illinois

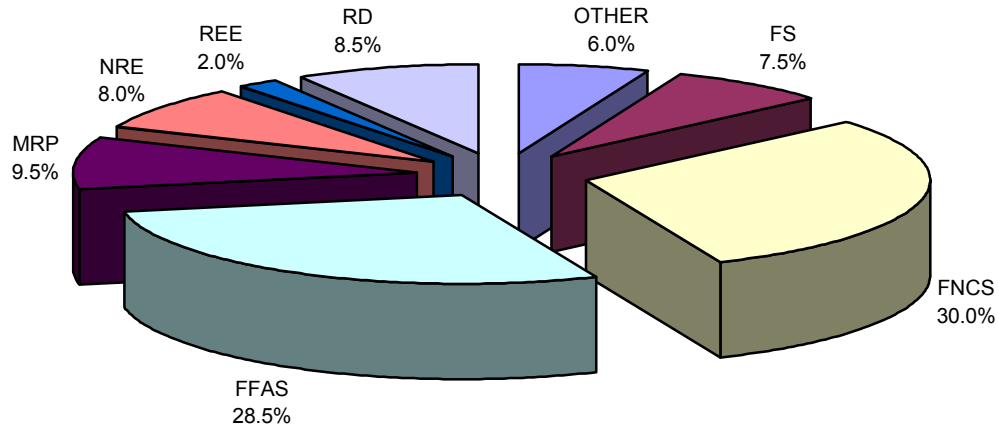
Western Region
San Francisco, CA

Phone (415) 744-2887 (24 hrs)
Fax (415) 744-2896

Areas Served: Alaska, California, Hawaii, Idaho, Nevada, Oregon, Territory of Guam, U.S. Trust Territories of the Pacific, and Washington

[Updated as of 12/10/03]

FY 2004 ANNUAL PLAN
DISTRIBUTION OF INVESTIGATIVE RESOURCES
BY UNDER AND ASSISTANT SECRETARIES



LEGEND

NRE	Under Secretary, Natural Resources and Environment
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FNCS	Under Secretary, Food, Nutrition, and Consumer Services
FS	Under Secretary, Food Safety
REE	Under Secretary, Research, Education, and Economics
MRP	Under Secretary, Marketing and Regulatory Programs
OTHER	Includes Administration, Civil Rights, OCIO, and OCFO

**DISTRIBUTION OF INVESTIGATIVE RESOURCES
PERCENTAGE BY AGENCY
FY 2004 PLANNED**

NATURAL RESOURCES AND ENVIRONMENT	Forest Service	6.0
	Natural Resources Conservation Service	2.0
FARM AND FOREIGN AGRICULTURAL SERVICES	Farm Service Agency	19.0
	Foreign Agricultural Service	.5
	Risk Management Agency	9.0
RURAL DEVELOPMENT	Rural Utilities Service	.5
	Rural Housing Service	5.0
	Rural Business-Cooperative Service	3.0
FOOD, NUTRITION, AND CONSUMER SERVICES	Food and Nutrition Service	30.0
FOOD SAFETY	Food Safety and Inspection Service	7.5
MARKETING AND REGULATORY PROGRAMS	Agricultural Marketing Service	2.5
	Animal and Plant Health Inspection Service	6.0
	Grain Inspection, Packers and Stockyards Administration	1.0
RESEARCH, EDUCATION, AND ECONOMICS	Agricultural Research Service	1.0
	Cooperative State Research, Education, and Extension Service	1.0
OTHER	Administration; Civil Rights, OCFO; OCIO; OIG; Other	6.0

AUDIT

Audit is the examination and verification of the economy and efficiency of an agency's operations, its effectiveness in achieving program results, its compliance with applicable laws and regulations, and its fairness in reporting its financial operations. We also routinely conduct evaluations. An evaluation is a review, study, or analysis of USDA's programs or activities for the purpose of providing information to managers for decision-making; for making recommendations for improvements to programs, policies, or procedures; and for administrative action. In addition to audits performed by OIG staff, we contract with certified public accountants for some audits and oversee the quality of the work of auditors under contract to other agencies of the Department.

OIG auditors conduct their work in accordance with the "Government Auditing Standards: 2003 Revision" (Yellow Book) GAO-03-673G, published by the U.S. General Accounting Office (GAO) in June 2003, and in accordance with the professional standards set by the American Institute of Certified Public Accountants (AICPA). We have established and implemented a program to ensure that our staff maintains professional proficiency through continuing education and training. Training directly related to the Government auditing environment is provided to newly hired, intermediate, and advanced level OIG auditors through in-house audit academies.

The Yellow Book describes the types of audits that Government and non-Government organizations conduct and the audit standards to be followed. Government audits are generally classified as financial or performance audits. However, these audits may have a combination of objectives that include more than one type of work or may have objectives limited to only some aspects of one type of work. Auditors should follow the standards that are applicable to the individual objectives of the audit.

FINANCIAL AUDITS

Financial audits are primarily concerned with providing reasonable assurance about whether financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles (GAAP) or with a comprehensive basis of accounting other than GAAP. Financial audits contribute to making governments more accountable for the use of public resources and provide users with statements concerning the reliability of the information. Financial audits are performed under AICPA's generally accepted auditing standards (known as GAAS) as well as related AICPA statements on auditing standards.

Financial audits also provide information about internal controls, compliance with laws and regulations, and provisions of contracts and grant agreements as they relate to financial transactions, systems, and processes.

PERFORMANCE AUDITS

Performance audits entail an objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program against objective criteria as well as assessments that provide a prospective focus or that synthesize information on best practices or cross-cutting issues. Performance audits provide information to improve program operations and facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and improve accountability. Performance audits encompass a wide variety of objectives, including those related to assessing program effectiveness and results; economy and efficiency; internal controls; compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance, or summary information.

The term performance audit is used generically to include work classified by some audit organizations as program evaluations, program effectiveness and results audits, economy and efficiency audits, operational audits, and value-for-money audits. The two types of performance audits most commonly conducted by USDA's OIG include

- Program effectiveness and results audits – which address the effectiveness of a program and typically measure the extent to which a program is achieving its goals and objectives.
- Economy and efficiency audits – which address concerns whether an entity is acquiring, protecting and using its resources in the most productive manner to achieve program objectives.

These audit types are often interrelated and may be concurrently addressed in a performance audit.

AUDIT PLANNING

Each year, we begin the planning process by soliciting audit suggestions from the Secretary's Subcabinet, agency management officials, and OIG management and staff. In prioritizing the suggestions for inclusion in the FY 2004 Annual Plan, we considered

- statutory and regulatory requirements;
- current and potential dollar magnitude;
- adequacy of internal control systems;
- newness, changed conditions, or sensitivity of the organization, program activity, or function;
- extent of Federal participation in terms of resources or regulatory authority;

- management needs to be met;
- prior audit history;
- prior investigation history; and
- timeliness, reliability, scope, and results of audits or evaluations performed by others.

THE AUDIT PROCESS

The phases of the audit process include the following

Audit Approach	Development of an audit approach includes determining the reasons for selecting the audit subject, overall audit objectives and scope, locations to be audited, OIG staff who will perform the audit, staff-days needed, other resources required (e.g., specialists with timber or banking expertise) to perform the audit, and benefits anticipated from the audit.
Audit Notification	Audit notification to the appropriate USDA agency or office informs auditees of our intent to begin an audit.
Entrance Conference	OIG staff hold entrance conferences with agency officials to discuss and obtain input on the purpose and objectives of the audit, its scope, and the general methodology and procedures to be followed.
Survey Work	Auditors perform survey work to gather information and identify problems.
Field Audit Work	Detailed audit testing and interviewing are undertaken if the survey indicates the need to learn more about conditions noted.
Management Alert	During the course of an audit, issues may arise which require the immediate attention of management. This interim report furnishes the vehicle to provide management the information needed to initiate immediate corrective action.

Discussion Draft Report and Exit Conference

At the conclusion of an audit, OIG holds a formal exit conference with the agency's principal officials to review the audit results presented in a discussion draft report. This gives management an opportunity to confirm information, to ask questions, and to provide any necessary clarifying data.

Official Draft Report

After the exit conference, OIG makes necessary changes to the draft report and presents it as an official draft report to the agency for final written comments. The agency is generally given 30 days to respond to the official draft report.

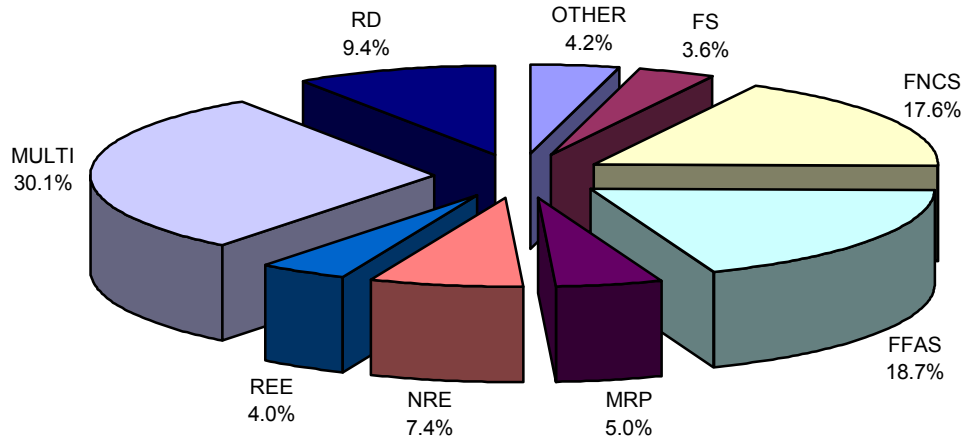
Final Report

OIG prepares and issues a final report which contains the agency's written response.

Management Decision and Final Action

A management decision (agreement to take action on an audit recommendation) must be reached on all report recommendations within 6 months of issuance of the report. OIG tracks management's actions through the achievement of management decision; the Office of the Chief Financial Officer tracks actions from the achievement of management decision to completion of final action. The status of management decisions is included in OIG's semiannual report to the U.S. Congress. The status of final actions, including those not completed within 1 year of the management decision, is reported annually in USDA's Performance and Accountability Report.

**FY 2004 ANNUAL PLAN
DISTRIBUTION OF AUDIT RESOURCES
BY UNDER AND ASSISTANT SECRETARIES**



LEGEND

NRE	Under Secretary, Natural Resources and Environment
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MRP	Under Secretary, Marketing and Regulatory Programs
OTHER	Includes Administration, Civil Rights, OCIO, and OCFO

**DISTRIBUTION OF AUDIT RESOURCES
PERCENTAGE BY AGENCY
FY 2004 PLANNED**

NATURAL RESOURCES AND ENVIRONMENT	Forest Service	6.1
	Natural Resources Conservation Service	1.3
FARM AND FOREIGN AGRICULTURAL SERVICES	Farm Service Agency	9.7
	Foreign Agricultural Service	1.2
	Risk Management Agency	7.8
RURAL DEVELOPMENT	Rural Development (financials)	2.3
	Rural Utilities Service	.7
	Rural Housing Service	4.6
	Rural Business-Cooperative Service	1.8
FOOD, NUTRITION, AND CONSUMER SERVICES	Food and Nutrition Service	17.6
FOOD SAFETY	Food Safety and Inspection Service	3.6
MARKETING AND REGULATORY PROGRAMS	Agricultural Marketing Service	1.0
	Animal and Plant Health Inspection Service	3.5
	Grain Inspection, Packers and Stockyards Administration	.5
RESEARCH, EDUCATION, AND ECONOMICS	Agricultural Research Service	2.5
	Cooperative State Research, Education, and Extension Service	1.5
	National Agricultural Statistics Service	*
	Economic Research Service	*
MULTIPLE AGENCY		30.1
OTHER	Administration; Civil Rights; OCFO; OCIO	4.2

*No audit time planned for this agency; however it may be included in multi-agency reviews and/or other unplanned work.

OIG STRATEGIES

The FY 2004 Strategies are:

- ✿ FARM PROGRAMS
- ✿ MARKET DEVELOPMENT
- ✿ CIVIL RIGHTS
- ✿ NATURAL RESOURCES CONSERVATION SERVICE
- ✿ ENTITLEMENT PROGRAMS
- ✿ FOREST SERVICE
- ✿ RESEARCH AND TECHNOLOGY TRANSFER
- ✿ INTEGRITY OF USDA PERSONNEL
- ✿ HOMELAND SECURITY
- ✿ PROTECTING U.S. FOOD SUPPLY AND AGRICULTURE
- ✿ RISK MANAGEMENT
- ✿ GOVERNMENT PERFORMANCE AND RESULTS ACT
- ✿ ACCOUNTING AND FINANCIAL MANAGEMENT
- ✿ INFORMATION TECHNOLOGY/SECURITY
- ✿ RURAL DEVELOPMENT
- ✿ MANAGEMENT/CONTROL OF ENVIRONMENTAL HAZARDS
- ✿ PROGRAM COMPLIANCE, ECONOMY, AND EFFICIENCY

Descriptions of the strategies, with examples of audit and investigative work recently performed and planned for FY 2004, are presented on the following pages.

FARM PROGRAMS

The Farm Programs strategy encompasses a variety of farm commodity, farm credit, and conservation programs administered by the Farm Service Agency (FSA). The programs are funded primarily through the Commodity Credit Corporation (CCC), a Government entity for which FSA provides operating personnel.

The principal activities of FSA are the administration of farm commodity programs; farm ownership, operating, and emergency loans; conservation and environmental programs; emergency and disaster assistance; and domestic and international food assistance and international export credit programs. Outlays for these activities increased from \$19.7 billion in FY 1999 to a record high of \$32.6 billion for 2000 and then declined to \$25.1 billion for 2001 and to \$17.7 billion for 2002. The high levels of spending between 1999 and 2001 are generally attributed to higher marketing assistance loan program outlays associated with low market prices and to authorized emergency spending, which totaled over \$5 billion in 1999, about \$14 billion in 2000, and approximately \$10.5 billion in 2001. Since the new Farm Bill – the Farm Security and Rural Investment Act of 2002 (the 2002 FSRIA) – was enacted in May 2002, market conditions have improved and the only major disaster assistance authorized is the \$3.1 billion provided in the Agricultural Assistance Act of 2003 (2003 AAA). Total FSA outlays are projected to be about \$19.4 billion in 2003 and \$18.2 billion in 2004. FSA's 2004 budgeted program level is more than 27 percent of the Department's total.

AUDIT

Our strategy is designed to ensure overall farm program integrity, efficiency, and effectiveness. Emphasis on farm programs is needed because of the magnitude of funding; prior audit results and known internal control problems; enactment of the 2002 FSRIA and implementation of its programs; continued emergency spending (now under the 2003 AAA); the decentralized delivery system; and the critical nature of the programs to the agency's mission.

In FY 2003, we reviewed FSA's administration of the \$1.3 billion Peanut Quota Buyout Program authorized by the 2002 FSRIA and concluded FSA procedures were generally effective to ensure payments were issued to eligible quota holders. We also began audits of the newly enacted Direct and Counter-Cyclical Programs under which we are reviewing calculations of the payment rates and testing the base and yield options selected by farmers to affect payments for the 2002 through 2007 crop years. In addition, we initiated reviews of the implementation of certain livestock assistance authorized under the 2003 AAA. Additional farm program initiatives begun in FY 2003, such as our assessment of the Apple Market Loss Assistance Program, also continue into FY 2004.

In FY 2004, we will continue monitoring implementation of the 2002 FSRFA and the 2003 AAA and intend to conduct reviews of affected farm programs including the Milk Income Loss Contract Program, 2001/2002 Crop Disaster Program, and Sugar Beet Disaster Program. Also, as Congress continues to challenge Government agencies to “do more with less,” we plan to systemically assess the efficiency of certain comprehensive processes and initiatives administered or undertaken by FSA. Specifically, we will look at FSA’s internal end-of-year payment limitation review process, program compliance activities, and compliance with the Improper Payments Information Act of 2002. Our more systemic approach to work for FY 2004 corresponds with the Department’s comprehensive Human Capital Plan, which includes implementing management initiatives both within the agencies and from a corporate perspective in support of the President’s Management Agenda. The Department’s plan to improve human capital performance recognizes that automation and process efficiency play a large role in achieving optimal performance of USDA employees and supports a broader scope of program responsibilities with the same or fewer staff.

This audit strategy links most closely to USDA Strategic Goal 1, Objective 1.4, Provide Risk Management and Financial Tools to Farmers and Ranchers.

INVESTIGATIONS

The major emphasis of our Farm Programs investigative strategy is to investigate allegations of significant fraud. Historically, our major concerns in FSA programs have been the unauthorized disposition of property mortgaged to the Government, fraud by warehouse operators, false statements by commodities producers and exporters, false statements by borrowers in order to obtain more or greater dollar value loans or debt write-downs than those to which they are actually entitled, and manipulation of disaster program rules for illegal gain.

Our decision to initiate an investigation is based on several factors, including the likelihood of criminal prosecution or large civil monetary recovery, determined primarily in consultation with the appropriate U.S. Attorney’s office. Another factor which influences the decision to open a case for investigation is the deterrent value of the Government bringing court actions against a producer. Those matters not investigated by OIG are referred back to FSA for appropriate administrative action. The agency also has the option of resubmitting a request for an investigation based on additional or updated information.

Our regional offices have always maintained a close working relationship with FSA State offices to ensure timely referral of investigative matters and to develop an understanding of FSA’s priorities, resources, and needs. Headquarters informs the regional offices of significant program changes, develops national guidelines for referral of investigative matters, and alerts top agency managers to any program provisions that allow a potential for abuse.

Approximately 19 percent of our investigative resources will be spent on FSA programs in FY 2004.

MARKET DEVELOPMENT

The market development strategy involves both domestic and foreign programs. Two agencies have primary program responsibilities: the Agricultural Marketing Service (AMS) and the Foreign Agricultural Service (FAS).

AMS' mission is to facilitate the strategic marketing of agricultural products in domestic and international markets, while ensuring fair trading practices and promoting a competitive and efficient marketplace, to the benefit of producers, traders, and consumers of U.S. food and fiber products. This is carried out through nine broad activities: the Market News Service; standardization, grading, and shell egg surveillance; global market expansion; market protection and promotion; wholesale, farmers, and alternative market development; transportation services; payments to States and U.S. possessions; the Perishable Agricultural Commodities Act; and strengthening agricultural markets and producer income (Section 32). In FY 2004 the total AMS funding is estimated at about \$1.2 billion with about 70 percent coming from voluntary user fees.

FAS' mission is to serve U.S. agriculture's interests by expanding export opportunities for U.S. agricultural, fish, and forest products and promoting world food security. The major programs to accomplish this are the CCC Export Credit Guarantee programs, market development programs, export subsidy programs, Public Law 480 programs, Food for Progress, and Section 416(b) donations. In FY 2004, the funding level for FAS and these programs is estimated at \$6.2 billion.

AUDIT

Our strategy is to evaluate overall FAS administration of its food assistance and global market programs and its controls to determine whether its programs and activities are being properly implemented and meeting the Department's program goals.

During FY 2004, we plan to review FAS' oversight of the private voluntary organizations (PVO). This will be a followup audit to review grant fund accountability under the Food for Progress Program and other assistance programs. The audit will determine whether prior report recommendations were implemented and will also identify and test controls designed to ensure that PVOs use commodities and funds provided for direct distribution and monetization programs in accordance with program regulations. Additionally, we plan a review of market development in which we expect to determine whether funds provided for market development programs were properly expended. We will also follow up on an earlier audit of FAS procedures and controls over the trade agreement monitoring process. In this review we will assess the

adequacy of FAS' management controls, the role of foreign posts in the monitoring process, the availability of archive of trade agreements to the public as a resource, and other issues.

This audit strategy links most closely to the first three objectives under USDA's Strategic Goal 1: Objective 1.1, Expand International Marketing Opportunities; Objective 1.2, Support International Economic Development and Trade Capacity Building; and Objective 1.3, Expand Alternative Markets for Agricultural Products and Activities.

INVESTIGATIONS

We will continue to work closely with OIG-Audit and FAS to ensure allegations involving FAS programs are reviewed in a timely manner. We anticipate that available staff workdays devoted to FAS cases will be approximately .5 percent.

CIVIL RIGHTS

The Civil Rights Act of 1964, Title VI, states: “No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.”

Since the passage of Title VI, several other statutes have been enacted to expand the prohibition against discrimination. Title IX of the Higher Education Amendments Act of 1972 prohibits gender-based discriminatory practices. Section 504 of the Rehabilitation Act of 1972 prohibits discrimination against persons with disabilities. The Age Discrimination Act of 1975 prohibits discrimination based upon age. Also, Title VII of the Civil Rights Act of 1964 prohibits discrimination in employment based on race, color, religion, sex, or national origin.

The Department’s civil rights functions have undergone major restructuring. In May 1997, Secretary’s Memorandum 1010-4 gave the Assistant Secretary for Administration the full authority for the performance and oversight of all civil rights functions within the Department. The Assistant Secretary for Administration had the authority to delegate civil rights functions to agency heads, as appropriate, and to rate the agency heads on their performance of civil rights functions. The memorandum also established the Office of Civil Rights and mandated that it be headed by a Director who reported to the Assistant Secretary for Administration.

In 2003, Secretary’s Memorandum 1030-57, dated March 7, 2003, established the position of Assistant Secretary for Civil Rights. The Assistant Secretary for Civil Rights reports directly to the Secretary and is responsible for all of the civil rights authorities that had been delegated to the Assistant Secretary for Administration.

The Director of Civil Rights, who now reports to the Assistant Secretary for Civil Rights, has full responsibility for investigation, adjudication, and resolution of complaints of discrimination arising out of USDA employment activities or in the context of federally assisted or federally conducted programs, including complaints made by USDA employees, applicants for employment, and USDA program participants and customers.

AUDIT

We continue to meet with Office of Civil Rights and program officials to resolve the outstanding recommendations from OIG reports issued between September 1998 and March 2000. These reports reviewed the Office of Civil Rights’ efforts to: reduce the backlog of program

complaints, implement settlements, implement prior recommendations, and manage employment complaints.

In FY 2004, we plan to conduct a followup audit on the Office of Civil Rights' implementation of prior audit recommendations for both employment and program complaints. We will also audit FSA's minority participation in farm loan programs.

This audit strategy links most closely to the President's Management Agenda and to USDA's initiative to improve human capital management.

NATURAL RESOURCES CONSERVATION SERVICE

The Natural Resources Conservation Service's (NRCS) mission is to provide national leadership in a partnership effort to help people conserve, improve, and sustain the Nation's natural resources and environment. NRCS directs its financial and technical assistance programs to land users through the USDA Service Centers and through local conservation districts, which are units of State or local governments organized for the purpose of developing and carrying out local conservation programs. Beginning in 2003, this work is being carried out with the help of private sector providers. USDA entered into a Memorandum of Understanding with each conservation district and these formal agreements provide a basis for the Department's working relationship with each district.

NRCS achieves its mission through: (1) conservation operations; (2) the Environmental Quality Incentives Program (EQIP); (3) the Wetlands Reserve Program, (4) the Conservation Reserve Program; and (5) Technical Service Provider Assistance.

For FY 2004, NRCS' program level budget is estimated at \$2.7 billion. The 2002 FSRIA reauthorized many of NRCS' programs at substantially increased acreage levels. The 2002 FSRIA authorized some new programs as well, including the Conservation Security Program.

AUDIT

Our strategy includes NRCS' overall administration of its programs and the adequacy of controls and systems NRCS has in place to ensure program integrity, including whether participants are in compliance with the agreed-to conservation provisions.

In FY 2003, we initiated a review of the Wetlands Reserve Program to evaluate the method NRCS uses to compute the value of conservation easements. This review is ongoing.

For FY 2004, we plan to evaluate the administration of EQIP based on increased funding and changes in funding methodology as specified in the 2002 FSRIA. We also plan a review to evaluate NRCS' quality control systems to assess participants' eligibility for program benefits and their compliance with program requirements (particularly conservation provisions). Additionally, we will review NRCS' newly implemented program utilizing private sector providers to provide technical service assistance to conservation program participants. We expect to evaluate controls exercised over the designation of individuals and entities as technical

service providers (TSP) through self-certification by the applicant and through recommending organizations. This audit will also evaluate the controls over the measurement and accountability system that measures and monitors the use and performance of TSPs and the cost incurred to install the conservation practices based on not-to-exceed rates.

This audit strategy links most closely to the objectives under USDA's Strategic Goal 5: Objective 5.1, Implement the President's Healthy Forest Initiative and Other Actions to Improve Management of Public Lands; and Objective 5.2, Improve Management of Private Lands.

INVESTIGATIONS

We will continue to work closely with NRCS and OIG-Audit to ensure that necessary investigative services are provided. We estimate that about 2 percent of our investigative resources will be dedicated to NRCS matters.

ENTITLEMENT PROGRAMS

The Food and Nutrition Service (FNS) administers the Department's food assistance programs, which are entitlement programs. The primary programs are the Food Stamp Program (FSP); the Child Nutrition Programs (CNP); and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). A number of programs make up the CNP with the primary ones being the National School Lunch, School Breakfast, Child and Adult Care Food, Summer Food Service, and commodity programs. In FY 2004, FNS' estimated program level is \$44.2 billion with the bulk going to FSP (\$27.7 billion), CNP (\$11.4 billion), and WIC (\$4.8 billion).

For the most part, FNS does not directly administer its programs. FNS enters into agreements with State agencies. For example, for the National School Lunch and School Breakfast programs, the agreement would be with the equivalent of the State department of education. The State agency, in turn, enters into agreements with local entities. In the case of CNP, the agreement would be with a school district or its equivalent. The local entity in most cases accepts applications for participation, determines eligibility, and disburses benefits. The Federal Government funds all of the program benefits and in most cases shares in the State and local administrative costs to operate the program. For example, FNS estimates its FSP administrative costs for FY 2003 at about \$2.6 billion.

AUDIT

Our audit strategy includes both FNS' overall administration of the programs, especially the FSP, and the adequacy of controls and systems FNS has in place to manage the programs. During FY 2003 our audits of FNS programs focused on the FSP and CNP since they are the largest of the entitlement programs.

FSP - We completed Electronic Benefits Transfer (EBT) systems audit work in one State, and found that controls needed to be strengthened over EBT access. Due to concerns over the widespread collection and sharing of personal information, and occurrences of identity theft, we also performed an audit of controls over the access, disclosure, and use of Social Security numbers (SSN) in the FSP and concluded that overall controls were in place; however, in some instances States needed to limit access to SSNs. We performed an audit of Tennessee's compliance with FSP Employment and Training (E&T) requirements and identified significant fiscal and program management issues. The State agency claimed E&T expenses in excess of actual costs and did not maintain adequate documentation to support costs. Finally, we reviewed FSP administrative costs claimed by two States to determine the accuracy and the allowability of those costs and found that claims were not always accurate and costs were not always supportable. One State agency did not follow established FNS procedures to fund a new

computer system to administer FSP and other Federal programs, resulting in unauthorized incurred FSP expenses of over \$8 million.

CNP - We performed audits of the National School Lunch Program (NSLP) in two States to evaluate school food authorities' (SFA) internal controls related to meal accountability, procurement, and accounting systems. We identified SFAs that did not follow meal accountability procedures to ensure the accuracy of daily meal counts, weaknesses in controls over claims for reimbursement, and improper procurement practices.

Since FNS programs have large cash outlays, the potential exists for fraud and large dollar losses. In FY 2004, we will emphasize audits of FNS programs, particularly FSP, to ensure that critical internal control checks are in place to guarantee efficiency, effectiveness, and economy. We will continue to monitor EBT systems as they are implemented. Additionally, our plan calls for audits of FNS' implementation of revised WIC vendor regulations, controls over eligibility for NSLP, and analyses of EBT databases.

This audit strategy links most closely to all three objectives under USDA Strategic Goal 4: Objective 4.1, Improve Access to Nutritious Food; Objective 4.2, Promote Healthier Eating Habits and Lifestyles; and Objective 4.3, Improve Food Program Management and Customer Service.

INVESTIGATIONS

We expect to focus a considerable amount of our investigative efforts on stores with high redemptions or stores involved in conspiracies to purchase food stamps or EBT food benefits at less than face value for redemption at full value to USDA (trafficking). As almost all States are now distributing benefits through EBT, our food stamp investigations are making use of the tools provided by EBT to detect trafficking and to compile evidence against traffickers. We spent some time in FY 2003 investigating authorized store operations when proceeds of the criminal activity were sent overseas and expect this activity to continue in FY 2004. At the same time, we expect to continue to reduce time spent on food stamp trafficking investigations involving unauthorized individuals or entities.

We also anticipate continuing our investigations of fraud in the WIC, NSLP, and the Child and Adult Care Food Program at about the same level of time as we have historically spent.

In FY 2004, we plan to use approximately 30 percent of staff workdays on FNS programs, primarily FSP.

FOREST SERVICE

The Forest Service (FS) has the responsibility for providing leadership in the management, protection, and use of the Nation's forests and rangelands. The agency's overall mission is to achieve quality land management under the sustainable multiple-use concept. Through the National Forest System, the agency is responsible for managing more than 192 million acres of public land. These lands are distributed among 46 States, commonwealths, and territories. The agency administers these lands through over 700 offices. Through its State and private organization, FS cooperates with State and local governments and private landowners in the management of forest resources; and through its research organization, the agency provides leadership in forest and rangeland research. The total FY 2004 budget for FS is projected at \$4.82 billion while receipts generated through timber sales and other activities on the public lands are estimated at about \$414 million. In addition, Congress has significantly increased FS' funding to implement the National Fire Plan (NFP). These funding increases are continuing, with the long-term goal of reducing the threat of catastrophic fire on public and private lands.

AUDIT

During FY 2003, FS contracted with a large certified public accounting (CPA) firm to conduct its annual financial statement audit. OIG acts as the Contracting Officer's Technical Representative and monitors the completion of the audit. During the fiscal year we completed our audit work related to the agency's land adjustment program and concluded that the controls implemented in response to our previous audits were working effectively. We initiated survey work related to FS' efforts to implement the NFP. Our survey identified two issues we reported to the agency. We found that budget estimates made by the FS had not included all applicable costs, and therefore the agency's ability to fully implement the plan were in question. We also found that the agency had not implemented adequate controls to ensure funds designated for rehabilitating burned over areas were properly spent. We also initiated work related to homeland security issues within the FS. We found that the agency needed to take more aggressive action to safeguard its owned and leased aircraft, ensure the safety and security of explosives and munitions, and coordinate law enforcement actions with agencies with border security responsibilities.

For FY 2004 we will continue to monitor the CPA audit of FS' financial statements. We will also continue our review of FS implementation of the NFP. Since significant financial resources are being dedicated to implementation of the NFP, our audit will focus on how effectively the agency has accomplished budget and performance integration. We will continue our work related to reviewing homeland security issues within FS operations. We also plan on continuing work related to FS management of the National Environmental Protection Act process, on

agency actions to prevent timber theft, procurement of new firefighting lead planes, collaborative ventures and partnerships, and FS trust funds.

This audit strategy links most closely to the objectives under USDA's Strategic Goal 5: Objective 5.1, Implement the President's Healthy Forest Initiative and Other Actions to Improve Management of Public Lands; and Objective 5.2, Improve Management of Private Lands.

INVESTIGATIONS

Our FS investigations have typically focused on embezzlement and theft of Government funds and property, as well as cases involving the FS' contracting for goods and services. During FY 2003, OIG investigators were also involved in investigations relating to arson in forest fires. Legislation enacted in late 2002 (P.L. 107-203) requires the USDA's OIG to perform an independent investigation of any FS firefighter deaths that are caused by wildfire entrapment or turnover. In FY 2003, we were called upon to initiate an investigation based on this statutory requirement. We estimate that we will be spending approximately 6 percent of our investigative resources on FS cases in FY 2004.

RESEARCH AND TECHNOLOGY TRANSFER

USDA is the lead agency for the Federal investment in agricultural research and development and for programs that introduce new and improved technologies to the production, processing, and marketing of agricultural and forestry products. There are five principal agencies involved in the Department's research and technology transfer effort. The Agricultural Research Service (ARS) supports direct Federal research and provides information (including USDA's National Agricultural Library) on new and improved technologies on problems of national impact in production, processing, and marketing of agricultural and forestry products. The Cooperative State Research, Education, and Extension Service (CSREES) administers the Federal partnership with the State Land Grant system and other public and private institutions for science capacity building, basic and applied research, and the dissemination of information and technology. The Economic Research Service (ERS) provides economic and social science information and analysis to public and private decision makers for improving agricultural profitability and the rural economy. USDA's source for the collection and publication of the Nation's agricultural production statistics is the National Agricultural Statistical Service (NASS). The Forest Service Research staff programs are designed to improve resource conservation, productivity, and protection of 1.6 billion acres of private- and publicly-owned forests and rangelands through direct research and the sharing of scientific information with other Government agencies, colleges and universities, businesses, and private landowners. For FY 2004, the budgeted program level for such research activities in the Department is estimated at \$2.6 billion.

AUDIT

Our objective is to ensure the program integrity in this mission area; that is, ensuring that research funds are being used in accordance with the regulations and to support the Department's research goals, and secondly, ensuring that any research misconduct is properly reviewed and adjudicated. Since a substantial portion of these funds are passed through to other non-Federal entities, our objective includes determining whether USDA agencies have established adequate management controls to ensure that research funds were expended in accordance with Federal program regulations.

In FY 2003, at the request of an agency administrator, we reviewed a specific cooperative agreement (SCA) with a university. The agreement was to provide funding to establish a science center. We found the university's internal controls were lacking; its use of Federal funds and program management in connection with its responsibilities under the SCA needed significant improvement. We also initiated a number of other reviews that are still ongoing. We reviewed CSREES' implementation of the Agriculture Research, Extension, and Education Reform Act of 1998 (AREERA), which included an evaluation of the basis and documentation to support the

selected target levels of matching funds by the land-grant institutions for their integrated research and extension activities in multiple fiscal years. We also conducted an audit survey to evaluate the status of the Department's implementation of the Office of Science and Technology Policy's research conduct policy that was issued in December 2000. Lastly, we continued our effort monitoring the Department's activities involving biotechnology or genetically engineered crops, reviewing the adequacy of the Department's controls over the identification, shipping, accountability, and disposal of genetically engineered organisms at germplasm storage sites.

For FY 2004, in addition to completing our efforts reviewing the Department's controls over the movement and release of genetically engineered organisms, we plan to start two efforts involving biotechnology: controls over research involving genetically engineered animals and insects, and controls over the separation of genetically engineered crops. Based on our earlier audit survey on the Federal Technology Transfer Program, we will be reviewing ARS' controls over the transfer of sensitive technology to the public. Lastly, we plan to review CSREES' oversight of the competitive grant awards and expenditures for the Initiative for Future Agriculture and Food Systems (IFAFS) Program.

This audit strategy links (depending on the particular performance measures being assessed) to four of the Department's five strategic goals. These include:

- Goal 1, Objective 1.2, Support International Economic Development and Trade Capacity Building; and Objective 1.3, Expand Alternative Markets for Agricultural Products and Activities.
- Goal 2, Objective 2.1, Expand Economic Opportunities Through USDA Financing of Business.
- Goal 3, Objective 3.1, Reduce the Incidence of Food-borne Illnesses Related to Meat, Poultry, and Egg Products in the U.S.; and Objective 3.2, Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks.
- Goal 4, Objective 4.2, Promote Healthier Eating Habits and Lifestyles; and Objective 4.3, Improve Food Program Management and Customer Service.

INVESTIGATIONS

Investigations will be conducted as deemed necessary, in close coordination with the respective USDA agencies and OIG-Audit. In recent years, some of our key investigative work in this area resulted from break-ins and vandalism at various research facilities. OIG will continue to investigate and monitor the security for high-profile labs to ensure that USDA programs are not compromised. We expect to devote about 1.5 percent of staff investigative resources to these research programs.

INTEGRITY OF USDA PERSONNEL

The integrity of USDA personnel is essential to maintain the public's confidence that tax dollars and resources are adequately protected. A myriad of laws, Executive orders, and regulations prescribe what is expected of public servants before, during, and after Government employment. During employment, public servants are held to high ethical standards, including prohibitions against acceptance of gifts and gratuities, private compensation, and the appearance of a conflict of interest. Certain prohibitions also apply after an employee leaves the Government. For example, the Federal Procurement Policy Act (41 U.S.C. § 23) imposes a 1-year restriction prohibiting individuals from representing a contractor in the negotiation or performance of a contract if that individual was personally and substantially involved in either the negotiation or review and approval of that same contract as a Government representative.

INVESTIGATIONS

The prompt investigation of allegations involving potential criminal violations by USDA employees continues to be a high priority of OIG. Employee misconduct most often involves allegations of embezzlement, bribery, and conflict of interest. We have made a significant commitment to ensure that allegations of employee criminal misconduct are investigated promptly, in order that corrupt public servants may be brought to justice and the agencies involved may proceed expeditiously with appropriate administrative action. We have seen an increase in the number of investigations involving employees misusing their government computers, including accessing and downloading child pornography.

We intend to continue our commitment to employee integrity investigations by spending about 10 percent of investigative time in this area.

This investigative strategy links most closely to the President's Management Agenda and to USDA's initiative to improve human capital management.

HOMELAND SECURITY

OIG's Homeland Security and Biological Security Program was established to provide interagency response coordination for bio-security and agriculture threat events. OIG has met with numerous USDA and State agency officials, State food and agriculture councils, State emergency boards, State and local audit and law enforcement organizations, other Federal Inspector General offices, and private industry groups. OIG has also participated in homeland security exercises and drills, and provided presentations to such agriculture-related organizations concerning OIG's role and responsibilities in the event of an agricultural attack or outbreak.

OIG's efforts in Homeland Security have three basic objectives: (1) to identify and protect USDA assets, both physical and cyber-based; (2) to prevent USDA assets from being used against the United States; and (3) to preclude USDA programs from being used to finance terrorism. Our reviews have encompassed USDA's mission activities from protecting our natural resources to ensuring the health and safety of our agriculture economy and the food supply. In response to one of our first efforts, USDA issued Departmentwide policies and procedures on security for its facilities, the first Federal Department to do so.

For FY 2003, we completed reviews involving security provided by the FS over U.S. borders adjacent to national forest land; over FS explosives and munitions used for land management; and over dams and reservoirs, oil and gas pipelines, and other assets on FS lands. Our audit reports disclosed a number of control weaknesses making these assets, which have a high risk for terrorist exploitation, vulnerable to misuse. FS management has initiated actions in response to our recommendations, which, we believe, are helping to protect the public against misuse of FS assets by terrorists. We also performed a followup review on FS' corrective actions to our report on security controls over its aircraft and its air bases.

In February 2003, we issued a report on the Animal and Plant Health Inspection Service's (APHIS) border and port inspection programs. We concluded that APHIS needs a more effective systematic assessment of the risks involved with various pests and the pathways by which they can enter the United States. Many of APHIS' inspection functions have since been transferred to the U.S. Department of Homeland Security. Nonetheless, APHIS continues to play a key role in this area, performing risk assessments related to pests and diseases that could threaten U.S. agriculture and the containment of any outbreaks. We also evaluated APHIS' controls and procedures over the issuance and monitoring of permits to import and ship domestically regulated pathogens and other materials into the United States; these permits are issued to colleges and universities, public and private laboratories, and other users. In our March 2003 report, we identified the need for greater accountability over permits and increased safeguards. Strengthened controls are needed to preclude or detect introduction of plant and

animal pests and diseases, either inadvertently or intentionally, into the United States, and to minimize the risk to American agriculture.

We have a number of ongoing reviews (that are continuing into FY 2004) evaluating the spectrum of USDA agencies' homeland security initiatives and activities: (1) we performed a followup review evaluating the Department's corrective actions to our review on controls over biohazardous agents; (2) we reviewed Departmental controls and procedures over chemicals and radioactive materials stored and used at USDA facilities; (3) we reviewed the Department's controls and risk assessments over USDA-owned or -controlled agricultural commodity inventories, focusing on the actions taken by FSA and CCC to minimize the risk of such commodities and, thereto, the food and feed supply of the country; and (4) we continued our review of APHIS' controls over pesticides, drugs, and other hazardous materials it uses in protecting agriculture from animal predators. In 2002, under the Defense Appropriations Act, Congress appropriated \$328 million for USDA for security upgrades at its facilities and for other activities in response to the terrorist attack. We are currently preparing a report on this review evaluating the use of these additional funds. Lastly, in FY 2003, we conducted a number of reviews of IT security at USDA agencies. We continue to find that USDA agencies do not have adequate physical and logical access controls in place over their IT resources and that numerous vulnerabilities continue to be detected despite the Department's purchase of a USDA-wide license for a commercially available vulnerability scanner product.

AUDIT

OIG's audit strategy in Homeland Security is to ensure that the Department and its agencies have established controls to meet the three objectives (as noted above): to identify and protect USDA assets, both physical and cyber-based; to prevent USDA assets from being used against the United States; and to preclude USDA program from being used to finance terrorism.

For FY 2004, we plan to evaluate APHIS' regulations governing the possession, use, and transfer of listed biological agents and toxins. We also plan to review USDA's implementation of the provisions of the Bioterrorism Act of 2002 and its coordination with other Federal agencies.

This audit strategy links most closely to USDA's Strategic Goal 3, Objective 3.1, Reduce the Incidence of Food-borne Illnesses Related to Meat, Poultry, and Egg Products in the U.S.; and to Objective 3.2, Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks. This strategy also links to Strategic Goal 5, Objective 5.1, Improve the President's Healthy Forest Initiative and Other Actions to Improve Management of Public Lands; and to Objective 5.2, Improve Management of Private Lands.

INVESTIGATIONS

We established a Biological Security Program to respond to intentional or catastrophic biological security threats to U.S. agriculture. Due to OIG's knowledge of USDA programs, Investigations will coordinate its efforts with other local, State, and Federal law enforcement agencies in the event of a terrorist or catastrophic incident.

OIG Special Agents continue to assist Joint Terrorism and Financial Task Forces throughout the United States in support of "Operation Green Quest." Operation Green Quest is a national project ordered by the President in Executive Order 13224 to target money transfer businesses sending funds overseas to terrorist groups. Since September 11, 2001, OIG has opened a number of investigations related to homeland security.

PROTECTING U.S. FOOD SUPPLY AND AGRICULTURE

Protecting the food supply and agriculture within the Department includes those activities designed to ensure that the food the consumer eats is safe and properly labeled and graded, and the Nation's plant and animal resources are safeguarded. These activities are performed by the Food Safety and Inspection Service (FSIS); Agricultural Marketing Service (AMS); the aforementioned Animal and Plant Health Inspection Service (APHIS); and the Grain Inspection, Packers and Stockyards Administration (GIPSA). The activities include inspecting all domestic establishments that prepare meat and poultry products for sale or distribution; reviewing foreign inspection systems and establishments; inspecting and quarantining animals and plants at U.S. ports-of-entry; controlling agricultural losses caused by predatory animals; developing standards for licensing and testing veterinary biologics; establishing grading standards for eggs, tobacco, livestock, dairy products, poultry, fruits, vegetables, and grain; and performing weighing and inspection services to ensure the standards are met. The public depends on these agencies to ensure a safe food supply; farmers depend upon these agencies to protect agricultural resources and maintain consumer confidence in the market for their products. OIG's response to protecting the food supply and agriculture encompasses

- Investigating threats to spread foot-and-mouth disease, anthrax, and other animal and plant diseases.
- Investigating product contamination and tampering.
- Auditing information technology and cyber security.
- Auditing programs designed to protect the U.S. food supply.
- Investigating the smuggling of prohibited agricultural products.
- Evaluating the security of biological agents and pathogens.
- Investigating domestic acts of terrorism against USDA facilities and employees.

AUDIT

Food safety and quality issues have received considerable attention over the last few years. In addition, increased foreign trade has become a key economic objective. Our strategy is to assess management control systems which ensure that the Department is effectively protecting both the consumer and the agricultural resources of the Nation. Our strategy focuses on the intensified activities in food safety to identify and implement new meat, poultry, and egg inspection technologies.

During FY 2003 we completed audits of APHIS' safeguards to prevent the entry of prohibited pests and diseases into the country and controls over the permits to import hazardous materials. We also focused on evaluating expenditures made under cooperative agreements for the Exotic Newcastle Disease Project, assessing Wildlife Service's methodology to obtain aircraft for use in preventing livestock predation, and continuing a review of the Wildlife Service's controls over hazardous material.

In addition, our FY 2003 efforts included a followup on recommended actions identified in the Food Safety Initiative Meat and Poultry Products report, FSIS' oversight of the Listeria outbreak in the Northeastern United States, and the initial equivalency process. We completed audits of FSIS' imported meat and poultry reinspection processes, and oversight of the production process and recall at ConAgra.

For FY 2004, we plan to audit controls over APHIS' Emergency Pest Eradication and Control Programs and evaluate agency memoranda of understanding with the U.S. Department of Homeland Security. Under our ongoing Food Safety efforts we will audit FSIS' food safety automated information systems and continue to monitor the implementation of the Hazard Analysis and Critical Control Points (HACCP) regulation along with evaluating very small meat and poultry establishments' compliance with HACCP requirements. In addition, we will conduct work to review the Egg Processing Inspection activity.

This audit strategy links most closely to USDA Strategic Goal 3, Objective 3.1, Reduce the Incidence of Food-borne Illnesses Related to Meat, Poultry, and Egg Products in the U.S.; and Objective 3.2, Reduce the Number and Severity of Agricultural Pest and Disease Outbreaks.

INVESTIGATIONS

Investigations into criminal activity that threatens or impacts the health and safety of the agricultural sector and consumers remain our highest priority. We coordinate our efforts with the responsible regulatory agency to ensure corrective action is taken to protect the public.

Food and Consumer Products - We continue to be concerned both about health and safety cases (i.e., those involving potential sale or movement in interstate commerce of uninspected or adulterated products, and those involving tampering with food products) and about economic

impact cases. We intend to continue regular meetings with FSIS compliance officials to ensure the wholesomeness of meat products in U.S. commerce and conduct criminal investigations where indicated.

Animal and Plant Health Protection - We expect some decrease in investigations in this area since APHIS Protection and Quarantine Officers have now been transferred to the U.S. Department of Homeland Security. However, we do expect to continue conducting investigations of smuggling and other criminal violations of law that could endanger the health and welfare of our citizens as well as our Nation's agricultural economy.

We estimate that our commitment of investigative resources to AMS, FSIS, APHIS, and GIPSA will be about 17 percent in FY 2004.

RISK MANAGEMENT

The risk management strategy encompasses a variety of Federal Crop Insurance Corporation (FCIC) programs administered by the Risk Management Agency (RMA). FCIC receives funds from four main sources: capital stock subscriptions from the U.S. Treasury, premium income from producers purchasing insurance policies, administrative fees paid by producers purchasing catastrophic risk protection insurance, and appropriations for Federal premium subsidies and operating expenses. The principal activities of RMA/FCIC included in this strategy are the administration and management of the various crop insurance programs established by Congress. These programs make crop insurance available to producers through private companies that RMA “reinsures.” The estimated insurance in force for the 2004 crop year is over \$34 billion in risk protection on about 208 million acres, or about 77 percent of the Nation’s acres planted to principal crops. RMA’s premium income is estimated at \$2.9 billion, of which \$1.8 billion is in the form of premium subsidy, and the remaining \$1.1 billion is producer-paid premiums. The major estimated FY 2004 program expenses are: \$3.1 billion in indemnities; \$643 million in delivery expenses; \$77.3 million in Agricultural Risk Protection Act (ARPA) initiatives (\$2.8 million for improving program compliance and integrity, \$40 million for research and development, \$21 million for pilot programs, \$10 million for education and risk management assistance, and \$3.5 million for policy considerations and implementation); \$370 million in underwriting gains; and \$78 million in administrative and operating expenses.

The above estimates include an estimated decrease of \$67.8 million in administrative expense reimbursement from a proposal to reduce the reimbursement rate for crop insurance policies from 24.5 percent to 20.0 percent.

AUDIT

Our strategy is designed to ensure overall program integrity, prevent and detect program/ insurance losses, provide a visible audit presence, ensure program objectives are being accomplished, and assist program managers to find solutions for known or potential program weaknesses. Emphasis on crop insurance programs is needed because of the significance of prior audit findings; the expansion (i.e., new types of insurance) and revision of major insurance programs; the reliance placed upon the Federal Crop Insurance Programs by Congress to be the “safety net” for American farmers; and the mandated changes under ARPA.

Our FY 2003 audits continued to disclose problems with RMA’s administration of the FCIC programs in the areas of crop loss claims (preparation and loss adjustment), producers’ reporting of production, conflicts of interest within the reinsured companies and/or representatives, and establishment of a reliable quality control system.

One of the initiatives under the President's Management Agenda is to improve financial performance in Government programs. This initiative includes determining agencies' efforts to determine and reduce erroneous payment rates, including actual and targeted rates, where available, for benefits and assistance programs over \$2 billion. Major audits of RMA planned for FY 2004 include audits to assess the distribution of insurance policies by the insurance companies within the three insurance pools provided for within the Standard Reinsurance Agreement (SRA), the extent of improper payments made within the insurance programs, RMA's renegotiation of its SRA with the insurance companies, and RMA's implementation of significant selected ARPA provisions.

This audit strategy links most closely to the USDA Strategic Goal 1, Objective 1.4, Provide Risk Management and Financial Tools to Farmers and Ranchers.

INVESTIGATIONS

Our investigative strategy in risk management is to investigate apparent fraud involving Federal crop insurance programs and to continue working closely with the RMA risk compliance division to ensure the timely referral of matters of interest and to strengthen the effectiveness of the compliance unit. We expect to increase the number of investigations we conduct in this area in FY 2004, and anticipate devoting about 8 percent of our investigative resources to it.

GOVERNMENT PERFORMANCE AND RESULTS ACT

The Government Performance and Results Act (GPRA) of 1993 requires that all Federal departments and agencies establish performance measures that measure outcomes of their programs. USDA is one of the largest cabinet level departments and includes agencies that have very diverse missions. These missions include management of traditional farm programs, private lands conservation, domestic food assistance, agriculture research and education, agricultural marketing, international trade, meat and poultry inspection, forestry and rural development programs. Under GPRA, USDA and its agencies develop annual performance plans that establish performance goals and measures covering the fiscal year and provide direct linkages between USDA's longer-term goals and the agencies' day-to-day activities. USDA agencies prepare annual performance reports that are incorporated into the Department's annual Performance and Accountability Report.

In September 2002, USDA issued its revised strategic plan that had five goals with various strategic objectives related to the Department's important mission areas. As noted on page 12 of this annual plan, the goals include:

- Goal 1: Enhance Economic Opportunities for Agricultural Producers.
- Goal 2: Support Increased Economic Opportunities and Improved Quality of Life in Rural America.
- Goal 3: Enhance Protection and Safety of the Nation's Agriculture and Food Supply.
- Goal 4: Improve the Nation's Nutrition and Health.
- Goal 5: Protect and Enhance the Nation's Natural Resource Base and Environment.

The strategic goals have a number of performance goals that must be met before the Department accomplishes them. GAO has issued two reports that evaluated USDA's progress in accomplishing its established program outcomes. Based on its review of USDA's FY 2000 performance report and its FY 2002 performance plan, GAO concluded that USDA still needed to take additional actions on its established program outcomes. However, GAO concluded that USDA had made some improvements over its FY 1999 performance report and FY 2001 performance plan. The FY 2002 performance plan, as stated by GAO, "presented USDA as a single department with clear missions, rather than a collection of separate agencies with a diversity of loosely related roles."

AUDIT

In FY 2000, we issued an audit report that reviewed the Forest Service's (FS) Implementation of GPRA. Our review found that FS' FY 1999 annual performance report was based on flawed data and assumptions to the extent that the report did not provide reliable information about actual performance or the agency's progress in meeting its goals and objectives. In addition, we found that internal controls over performance measures were inadequate as designed and implemented. FS has no way of reviewing and correcting improper reporting of performance accomplishments submitted by its field units. We recommended that FS develop and implement a comprehensive strategy to ensure the collection and reporting of accurate, complete, and meaningful performance data. Our audit of FS' FY 2000 Financial Statements found that it had developed a comprehensive strategy to collect and report accurate, complete, and meaningful performance measures but had not fully implemented procedures.

In FY 2001, we issued an audit report that reviewed Rural Development's (RD) implementation of GPRA. Our review found that performance data contained in RD's FY 1999 Annual Performance Report was inaccurate or unsupported and targets established were not always documented, resulting in a report that was of little or no utility. In addition, we found RD included performance measures that were not relevant to its mission goals and, therefore, those measures did not provide meaningful information for assessing performance. We recommended RD develop procedures to implement GPRA that include processes that ensure collecting and reporting of accurate, complete, and meaningful performance data. RD agreed with our recommendations and stated that it would establish a GPRA committee to document and implement a comprehensive strategy to ensure the collection and reporting of accurate, complete, and meaningful performance data.

In FY 2002, we also issued an audit report that reviewed the implementation of GPRA in the FSA. Our review found that FSA's performance measures need to be improved to show what progress is being made in achieving its strategic goals. OIG found that 18 of 21 performance measures were output oriented (expressed in terms of a quantitative result), rather than outcome oriented (expressed in terms of a program result), which is preferred under GPRA to assess the benefit of a program activity. We reported three errors in reported results for performance measures. Our report recommended that FSA develop performance measures that are outcome oriented, linked to the achievement of its long-term goals, and for which results reported would indicate the degree to which the long-term goals are being met. We also recommended that FSA implement written procedures to ensure internal controls over the collection, calculation, and reporting of performance plans are in place and operating. FSA agreed with our recommendations and has initiated corrective actions.

In FY 2003, we undertook a review of USDA's Departmentwide GPRA planning and reporting. The objectives of the review were to: (1) evaluate the system of controls over Departmental performance planning and reporting for GPRA; (2) assess the development of performance measures and reporting the applicable results to determine if they support the Department's strategic goals and gauge the extent to which those goals are being achieved; (3) evaluate the

source and support for results reported by the Department; (4) evaluate the controls in place to ensure the validity and verifiability of reported performance data; (5) assess the implementation of budget and performance integration (BPI); and (6) assess performance in key programmatic areas of significance to the budget-making process.

For FY 2004, our audit strategy will use a significant amount of OIG audit resources to review USDA's and its agencies' implementation of GPRA. All financial statement and performance audits will include procedures to review the internal controls over the audited agencies' collecting and reporting of their performance data. In FY 2004, we will review how the Department has implemented the integration of performance measures within the budget. The review will

- Evaluate the systems of controls over Departmental planning for its BPI.
- Assess the development of full costs associated with program performance.
- Evaluate the controls in place to ensure the validity and verifiability of reported data.
- Determine whether program managers are using budget and performance data to more effectively and efficiently manage their programs.

Our review of the BPI process will provide information as to how the Department plans to use funds to meet its strategic goals and objectives.

This portion of our audit strategy has some connection (depending on the particular performance measures being assessed) to all of the Department's strategic goals and objectives. Our audit work in this area will provide a means of assessing how well the Department is progressing in its implementation of BPI. It will also provide an indication of the quality of USDA's reporting on its progress toward meeting the aforementioned strategic goals and objectives. In addition, we will continue our reviews of individual agencies' actions to implement GPRA by assessing the Agricultural Research Service and conducting a followup audit of the Forest Service.

Our audit strategy links most closely to the President's Management Agenda and USDA's initiatives on budget and performance integration and on human capital management.

ACCOUNTING AND FINANCIAL MANAGEMENT

The Chief Financial Officers (CFO) Act of 1990 designated USDA as part of the pilot program to prepare and audit financial statements, which began with the FY 1990 statements. The Government Management Reform Act of 1994 further defined the CFO Act requirements for agencies to submit audited financial statements to the Office of Management and Budget (OMB). Financial statements are now being prepared each year covering all Departmental activities, including all revolving and trust funds and programs that perform substantial commercial functions.

The President's Management Agenda has placed emphasis on improving financial management in all Federal departments, not just USDA. According to OMB, USDA is the second largest component of the Federal Government's Consolidated Balance Sheet. The Department and its agencies have made significant improvements to their financial systems. These improvements allowed USDA to achieve its first unqualified opinion on the FY 2002 Consolidated Financial Statements. While the achievement of a qualified opinion represents a major accomplishment, USDA must continue to improve financial management systems to correct internal control deficiencies and other system weaknesses, as well as ensure compliance with laws and regulations. Uncorrected system weaknesses could negatively impact the Department's ability to achieve a subsequent unqualified opinion, especially in light of the accelerated timeframes put in place by the Office of the Chief Financial Officer (OCFO) for FY 2003.

In its FY 2002 financial statements, the Department reported net assets of over \$123 billion and total liabilities of approximately \$113 billion. In addition to the reported assets, the Department is responsible for over 192 million acres in stewardship land. Other account balances in the FY 2002 financial statements included over \$75 billion in net loans receivable and approximately \$76 billion in long-term debt owed by USDA. Financial management systems maintained by the Department are used to process all transactions for USDA. These systems also provide financial reports to agency managers as well as to non-departmental entities. The systems are maintained on large-scale computers at either the National Information Technology Center (NITC) or the National Finance Center (NFC).

AUDIT

Our audit strategy encompasses the Department's financial statements, as well as the financial management systems and the responsibilities of the OCFO. OCFO provides leadership, expertise, coordination, and evaluation in the development of Departmental and agency

programs in financial management, accounting, Federal assistance, and performance measurements. OCFO also provides, through NFC, central accounting and/or administrative services for all USDA agencies and about 86 other Federal agencies/bureaus outside USDA.

In FY 2003, we performed audits or provided oversight of audits of the FY 2002 financial statements for CCC, FCIC, FNS, FS, and the RD mission area, including the Rural Telephone Bank (RTB), as well as the FY 2002 consolidated USDA financial statements. All entities received an unqualified opinion. An audit of the FY 2001 balance sheet for the Department's working capital fund was also completed under contract. An unqualified opinion was issued within this abbreviated scope.

In FY 2004, we plan to audit the FY 2003 financial statements for CCC, FCIC, FNS, FS, and the RD mission area, including RTB, as well as the consolidated USDA financial statements. We will continue to audit NITC's General Controls, review NFC's internal control structure, and monitor USDA's implementation of a cost accounting system. FS and CCC contracted with a large CPA firm to conduct their FY 2002 financial statement audits. These contracts have subsequent option years that were exercised for the FY 2003 audits. We serve as the Contracting Officer's Technical Representative and monitor and review all audit work performed by the firm. FNS and the RD mission area plan to contract their FY 2004 financial statement audits.

In addition to financial statement audits, the strategy also encompasses USDA's implementation of the Improper Payments Information Act of 2002. The Act requires the head of each Federal agency with estimated improper payments in excess of \$10 million to report on actions taken to reduce them. OMB defines improper payments as payments that should have not been made or that were made in incorrect amounts under statutory, contractual, administrative, or other legally applicable requirements. In FY 2003, we initiated a review of FNS' adherence to OMB requirements regarding improper payments in the FSP, WIC and NSLP.

In FY 2004, we will examine the myriad of USDA payment programs and develop an approach that will determine if USDA has controls in place to identify and prevent improper payments. For example, we will examine RMA's error rate over crop insurance claims and conduct an audit of the use of purchase cards in USDA. In addition, we will review the implementation of the new law from the Departmental perspective. Our audit efforts should help determine if USDA's financial systems provide accurate and timely information to the Department's management. These efforts should also determine if USDA has taken adequate actions to reduce improper payments made by its programs.

This portion of our audit strategy has some connection (depending on the particular performance measures being assessed) to all of the Department's strategic goals and objectives. Department managers must have access to timely financial and operating information in order to make program decisions, protect USDA assets, and conserve scarce budget resources.

This audit strategy links most closely to the President's Management Agenda and USDA's initiatives on improved financial management and on budget and performance integration.

INFORMATION TECHNOLOGY/SECURITY

Information technology (IT) is critical to the delivery of USDA's programs. The use of the Web-based technology, commonly referred to as electronic-Government (or E-GOV), offers the Department the opportunity to improve the processes it uses to conduct business and achieve its mission objectives. The Department currently uses the Internet for program delivery including sharing of trade information, signup procedures, and outreach activities. Additional E-GOV initiatives remain under development. As technology has enhanced the ability to share information instantaneously among computers and networks, it has made organizations more vulnerable. The Department's mission critical information systems and networks are now exposed to an unprecedented level of risk including equipment failures, human errors, physical and electronic cyber attacks. The Department has established a Departmentwide security program; however, it has not reached its goal of adequately securing the Department's critical resources.

Congress and the President continue to emphasize making Government services available via Web-based technology. The Government Paperwork Elimination Act (P.L. 105-277) directs OMB to develop procedures to provide for (1) the option of electronic submission, maintenance, and disclosure of information, and (2) the use and acceptance of electronic signatures. The Freedom to e-File Act (P.L. 106-222) requires USDA to establish an electronic filing and retrieval system to enable farmers to file various forms. The President's Management Agenda and Performance Plan for FY 2002 identified electronic government as one of five Governmentwide initiatives.

Congress recognizes the Government will need to protect the confidentiality, integrity, and availability of information in a networked environment. The Federal Information Security Management Act (FISMA) (P.L. 106-398) provides a framework for Federal agencies to make information systems more secure. Among other features, the legislation requires each Government agency to implement a computer security plan, undergo an annual information security audit, report intrusions, and train workers in security awareness.

The Chief Information Officer (CIO) has overall responsibility for establishing Departmental security policy and ensuring the Department's IT management is consistent with security requirements standards. However, each USDA agency remains responsible for managing its own security operations. In August 1999, the CIO issued "An Action Plan to Strengthen USDA Information Security," which identified weaknesses and made recommendations for improving the IT security of the Department. The CIO is addressing the issues identified in the plan, but additional work is needed.

The major issues surrounding USDA's IT activities include the use of Web-based technology, the adequacy of security and control over IT systems and resources, and the lack of integration of many disparate systems. Of current major significance in USDA are

- IT security as the Department implements Web-based technologies to deliver services and operate the Department's programs.
- Migration and conversion of data and operations from existing legacy systems to new Web-based systems.
- Business reengineering initiatives to ensure the Department has adequately modified its processes to assure it can adequately deliver its services in an electronic environment.
- Implementation of the Corporate Administrative Strategy, which seeks to eliminate and consolidate legacy accounting, procurement, payroll, and human resources systems.
- Capital planning and investment control requirements from the Clinger-Cohen Act through guidance issued by OMB.
- Management and control over information placed on the Department's Web sites to ensure that no information is posted that could assist in the production of weapons of mass destruction, or endanger USDA employees, property, or the public.

AUDIT

This strategy highlights USDA's increasing reliance upon Web-based technology to deliver and manage its operations, the significant investment in and use of automated resources, the importance of careful planning to ensure that the resources acquired are needed and prudently obtained, and the importance of designing and implementing effective security and control measures.

In FY 2002, we completed (1) audits of the IT security programs, including access, physical, and network controls at several USDA agencies; (2) an evaluation of the Department's overall information security program as required by the Government Information Security Reform Act GISRA (now known as FISMA); and (3) reviews of NFC and NITC general controls including selected aspects of automated data processing security. We reported that the Department and most component agencies have not assessed the risks to their systems and established mitigation plans. Further, the agencies have not prepared and/or tested contingency and business continuity plans. We used commercial, off-the-shelf software products to assess selected USDA network components. Our scans disclosed a large number of potential vulnerabilities that could be exploited from within the Department's networks and from the Internet. We determined that the agencies have not established adequate physical and logical access controls to ensure that only authorized users can access critical agency data. We continued to monitor the development and

implementation of the Department's new financial system, the Foundation Financial Information System.

In FY 2003, we conducted General Controls reviews at NFC and NITC. We issued qualified opinions at both entities, though we noted improvements at the sites.

In FY 2004, we will perform a review of the NITC's General Controls, to assess whether general controls are in place and operating effectively. We will also perform a review of security over USDA IT resources as is mandated by the FISMA. Currently, E-GOV initiatives are in place in 20 USDA programs. We will be performing a review of these initiatives to evaluate the security controls in place, and to assess whether data integrity and confidentiality may be compromised. We will be performing a review of application controls on critical USDA systems to determine whether there is an effective level of security built in to protect data integrity and confidentiality. We will also be performing a review to evaluate security controls and the overall management of IT assets at select agencies. Prior audits have identified significant weaknesses in physical and logical access controls, and a lack of adequate system documentation and contingency planning.

This audit strategy relates to all USDA Strategic Goals and objectives. IT resources provide key data to Government managers for decision-making and secure public access for electronic government. Our audits will provide necessary information on the security of these IT resources.

This audit strategy links most closely to the President's Management Agenda and USDA's initiative to expanded electronic government as it relates to our planned audit of USDA's E-GOV efforts; and to the initiative on improved financial management in so far as our audit efforts help ensure the delivery of secure, accurate financial information to management.

INVESTIGATIONS

We are very concerned about unauthorized access to Departmental computer systems and data. The CIO, as the Departmental agency responsible for collecting information regarding computer intrusions, refers these violations to OIG. In FY 2004, we will continue to investigate intrusions where warranted.

In recognition of the major role computers play in all aspects of Departmental operations and the integral need to be able to thoroughly and reliably conduct comprehensive and reliable analyses of computers and computer files, Investigations established a Computer Forensics Unit (CFU). CFU information technology experts provide assistance in investigations throughout the country in which electronic evidence must be secured and preserved for possible use in judicial proceedings. They also represent Investigations in agency planning activities involving future information technology needs, including those that pertain to progress in E-GOV initiatives. In FY 2004, we expect to further equip CFU staff to enable them to expeditiously perform their duties.

RURAL DEVELOPMENT

USDA's Rural Development (RD) enhances rural communities' ability to improve their quality of life by targeting financial and technical resources in areas of greatest need through activities of greatest potential. The three agencies under the RD mission area are the Rural Business-Cooperative Service (RBS), the Rural Housing Service (RHS), and the Rural Utilities Service (RUS). RD's direct and guaranteed loan portfolios totaled over \$81 billion as of September 30, 2002. Funding for RD programs totaled \$13.7 billion in FY 2002, \$13.4 billion in FY 2003 (estimated), and is targeted for \$11.9 billion in FY 2004.

RBS provides leadership in building competitive businesses including sustainable cooperatives that can prosper in the global marketplace. Through direct, intermediary, or guaranteed loans and grants, RBS invests in existing and start-up businesses and provides technical assistance to establish strategic alliances and partnerships, which leverage public, private, and cooperative resources to create jobs and stimulate rural economic activity. RBS provides technical assistance to existing or planned cooperatives, conducts research, and produces information to market and distribute agricultural products.

RHS provides credit assistance primarily through direct and guaranteed loans for housing programs, both single and multi-family. RHS also funds community facilities to build and improve other types of essential public services such as health care facilities, schools and libraries, child and adult day care centers, community centers, transportation services, and fire and police stations. RHS provides to borrowers (who have the minimum required number of low and moderate-income families) interest credit subsidies that lower rents to tenants. RHS provides additional housing subsidies to borrowers with low and moderate-income in the form of rental assistance, lowering further tenant rental costs.

RUS makes direct and guaranteed loans to nonprofit associations, public bodies, for-profit entities, and rural cooperatives to finance construction of distribution lines and systems in rural areas for electric, telecommunications, and water and waste facilities. RUS awards grants to schools, libraries, hospitals, and medical facilities for distance learning and telemedicine and for the improvement and management of water resources and waste disposal systems. RUS also has begun loan and grant funding to bring high-speed broadband Internet services to rural areas. RUS received \$80 million in FY 2002 funding and an additional \$80 million in FY 2003. Then the 2002 FSRIA provided the program another \$1.4 billion in FY 2003 to enhance rural area access to broadband services.

AUDIT

In FY 2003, many of OIG's resources were focused to ensure the integrity of homeland security, including reviews of physical assets such as generation and transmission of cooperative electrical assets, rural water systems, communication channels, and Web site security. Where appropriate, we shared concerns with agency personnel.

During FY 2003, OIG focused audit resources on management controls and program delivery. We completed our nationwide review of RBS' Business and Industry (B&I) guaranteed and direct loan programs. We questioned \$58 million of the \$125 million in guaranteed loan funds that we reviewed. The questioned costs are attributed to inappropriate appraisal methods, inadequate lender assessments of borrower financial conditions, and lender negligence and misrepresentation. In addition, RD did not always verify that lenders complied with agency requirements prior to honoring the loan guarantees.

We also found that RD's annual performance plan reports inaccurately depicted the number of jobs created and saved by the B&I program. RD reported jobs that are planned to be created or saved, not the number of jobs that were actually created or saved.

We found weaknesses in the controls of the direct B&I program for loan-making including deficient collateral appraisals and failure to verify legal documents. We did not make any recommendations for the direct loan-making program because it was not funded in FYs 2002 and 2003, and there are no plans for FY 2004 funding. For the B&I direct loan-servicing area we found that RD lacked effective measures to enforce borrower compliance to agency requirements. For example, we found that almost 40 percent of the borrowers in our review had not submitted current financial statements. These are critical documents because the agency needs to assess, monitor, and take corrective actions on the borrower's financial health and their ability to continue in a successful business. We are working with RD to develop and implement nationwide corrective actions.

In FY 2003, we also reviewed RHS' Multi Family Housing (MFH) program. We tested whether tenants living in MFH's Rural Rental Housing (RRH) projects in Florida were receiving the correct amount of rental subsidies. In FY 2002, we found errors in 20 percent of Florida's 14,705 rental units and statistically projected that tenants received over \$4.4 million in excessive rental assistance. This occurred because tenants did not report their true incomes or changes to their incomes. Also, RD and RRH project managers did not have or adequately use an independent source or process to verify tenant incomes, such as wage matching.

During FY 2003, OIG reviewed and commented on major regulatory revisions to RHS' MFH program, entitled "Proposed Rule 7 [Code of Federal Regulations] CFR 3560, Streamlining and Consolidation of the Sections 514, 515, 516 and 521 Multi-Family Housing Programs." The proposed rule consolidates 13 regulations, reduces the CFR by 90 percent, and attempts to address previous OIG recommendations to the MFH program. Our review found that the proposed rule adequately addressed 5 of 19 open recommendations dating back to 1993. We are

working with RHS and reviewing the supplemental Handbooks to the proposed rule to fully assess RHS' proposed resolution of the remaining recommendations. We will coordinate our assessment of the proposed rule and Handbooks with the audit work that is planned in the MFH program for FY 2004.

In prioritizing the work to be performed during FY 2004, we will continue our focus on areas that have historically been "high risk" and will add coverage to monitor the effects of major shifts in program policy, large dollar increases in appropriations and program levels, and new programs.

For FY 2003 and 2004, we will continue to review the RHS MFH program. We plan to audit RHS' management operations of the MFH program to identify unauthorized, ineligible, or fictitious project expenses, particularly those that involve identity-of-interest companies. We also plan to audit RRH construction and rehabilitation costs to ensure that the costs were actually incurred and were for authorized purposes. Both audits follow up on previous nationwide reviews of the MFH program.

More work is scheduled for the MFH program involving expansion of the RRH tenant certification audit in Florida to a nationwide review of the accuracy and eligibility of RRH tenant subsidies. Our reviews of the MFH program should utilize our increasing expertise with RHS' database systems to identify potential problems and trends that may indicate fraud, waste, or abuse.

We also plan to initiate a review of RHS' servicing of its Single Family Housing Program and accuracy of borrowers accounts, which is conducted at the Centralized Servicing Center (CSC) in St. Louis, Missouri. The reviews will include an assessment of CSC's servicing actions including escrow accounts, bankruptcies, foreclosures/real estate only inventories, assumptions, moratoriums, interest credit/payment assistance agreements, and graduations to private lenders and how the automated systems support these functions. We also plan to determine whether there is any pattern or substance to the numerous complaints received by the Hotline concerning allegations of inaccuracies and improprieties involving CSC servicing actions.

This audit strategy links most closely to USDA Strategic Goal 2, Objective 2.1, Expand Economic Opportunities Through USDA Financing of Businesses; and Objective 2.2, Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities, and Needed Community Facilities.

INVESTIGATIONS

We continue to investigate allegations of fraud in RHS' single-family housing and RRH programs. Single-family housing fraud typically involves the borrower's failure to accurately report household income, or composition, or both. RRH fraud investigations primarily involve housing project managers' theft or misuse of funds from reserve accounts, falsification of records of tenants or occupancy, and "layering" of management functions and costs in order to siphon off

money without justification and for personal gain. RBS investigations most frequently involve falsified applications for loans, including false appraisals of collateral, and misuse of loan proceeds for unauthorized purposes.

During FY 2004, we expect the number of investigations into RHS, RBS, and RUS program fraud to remain at about the same level as in FY 2003. We will expend about 9 percent of our investigative resources on RD programs.

MANAGEMENT/CONTROL OF ENVIRONMENTAL HAZARDS

This strategy brings together a wide range of agency programs and operations under a general concern for the protection of the environment and the abatement of any environmental hazards that result from practices in agriculture and forestry. Agricultural production is considered to be a major contributor to the Nation's pollution problems. The Department has adopted a comprehensive policy that guides efforts for correcting these problems and reducing future environmental damage from farming and forestry.

Agencies of the Federal Government are required to identify and remedy their noncompliance with Federal, State, and local standards for environmental quality. Noncompliance could include pollution from noise, the use of pesticides and chemicals, and toxic and radioactive wastes. USDA operates over 21,000 buildings at more than 15,000 locations and controls nearly 193 million acres of land. Violations of Federal or State standards at Government-owned or -operated facilities subject agencies to legal and administrative actions which may result in the criminal prosecution of Federal employees, the loss of program funds, or delayed projects.

USDA works with the U.S. Environmental Protection Agency to schedule problem areas for remedial action. These plans are coordinated and presented as a single funding item under the budget for Departmental Administration. Major areas of funding are associated with actions to prevent and remedy environmental damage from active and abandoned mines on the public lands that are under the stewardship of USDA. Other pollution abatement and prevention issues are conducted through the program efforts of numerous agencies. Among the responsibilities of these agencies is the assurance that environmental program funds and activities are distributed without discrimination due to race or income.

USDA's management and control of environmental hazards is coordinated through the Hazardous Materials Management Program, which provides for the efficient management and cleanup of hazardous materials on facilities and lands under the jurisdiction, custody, and control of the Department and prevention of releases of hazardous substances from USDA facilities. The program is funded, at approximately \$16 million, through a central appropriation and agency funds.

AUDIT

Our strategy is to review the Department's controls for assessing environmental liabilities prior to the acquisition or disposal of land. We will review the application of the requirements of

agencies' land transactions (sales, trades, or other conveyances), and examine the adverse impact from inadequate, negligent, or false certifications of hazardous environmental conditions.

In FY 2004 we plan to audit the management controls over assessing environmental liabilities prior to the acquisition or disposal of land. This activity will include a review of agencies' land transactions including sales, trades, and other conveyances. We will also examine the adverse impact resulting from any inadequate, negligent, or false certifications of hazardous environmental conditions.

This audit strategy links most closely to USDA Strategic Goal 5, Objective 5.1, Implement the President's Healthy Forest Initiative and Other Actions to Improve Management of Public Lands; and Objective 5.2, Improve Management of Private Lands.

PROGRAM COMPLIANCE, ECONOMY, AND EFFICIENCY

The Program Compliance, Economy, and Efficiency strategy incorporates all programs and activities not included in other strategic areas. It includes special requests; audit followup; developmental audits; single audits of States, local governments, and nonprofit organizations; and the quality of audits performed by non-Federal auditors.

AUDIT

During any year, issues develop which we cannot anticipate during the planning process. These issues usually develop from Secretarial, agency, congressional, or OIG concerns regarding fraud, waste, or abuse. In order to respond to these concerns, OIG reserves time for any unanticipated requests.

We also set aside time in our plan to monitor the management decisions made for audit recommendations presented in our audit reports. The purpose of management decisions is to ensure that the auditee and OIG agree on the actions to be taken to correct deficiencies. Once OIG agrees with the management decision, management is responsible for implementing final actions. Final actions are monitored and tracked by OCFO.

Our FY 2004 plan includes time for ensuring the quality of audits performed by non-Federal auditors in accordance with OMB Circular A-133, as well as those submitted to USDA agencies under program-specific requirements. When substandard audit work is identified, we refer the independent auditor to the State Board of Licensing Authorities and the American Institute of Certified Public Accountants.

This strategy has some connection (depending on the particular performance measures being assessed) to all of the Department's strategic goals and objectives.

**MAJOR AUDITS PLANNED FOR
FISCAL YEAR 2004**

Below are brief descriptions of major audits and initiatives planned for FY 2004. A complete listing of audits planned for the upcoming year is provided in appendix III.

NATURAL RESOURCES AND ENVIRONMENT

Forest Service (FS)

TITLE: Implementation of the Healthy Forests Initiative

OBJECTIVE(S): Determine if FS is effectively implementing the Healthy Forests Initiative and has adequate controls to ensure funds are spent in accordance with enabling legislation.

TITLE: Controls Over Forest Service Pilot Certifications

OBJECTIVE(S): Determine if FS has adequate controls to ensure that pilots flying agency and contracted aircraft are qualified and do not pose a security risk.

TITLE: Monitoring the Audit of Forest Service's FY 2003 Financial Statements
Monitoring the Audit of Forest Service's FY 2004 Financial Statements

OBJECTIVE(S): Determine if FS' financial statements are presented fairly in all material respects in accordance with applicable accounting principles, if internal accounting controls are adequate, and if FS complies with applicable laws and regulations. (FS contracted for the FY 2003 audit to a large CPA firm, and the audit will remain contracted for FY 2004.)

TITLE: National Fire Management Analysis System

OBJECTIVE(S): Determine the adequacy of controls over access to and modification of the national fire management analysis system software and data.

TITLE: Forest Service Implementation of the Government Performance and Results Act

OBJECTIVE(S): Evaluate the FS' implementation of GPRA by assessing the effectiveness of the process for establishing performance goals and objectives; evaluating internal controls over performance measurement and reporting; and assessing the validity and verifiability of reported accomplishments.

TITLE: Forest Service Stewardship Contracting Pilot Project

OBJECTIVE(S): Determine if FS controls governing stewardship contracts are adequate.

TITLE: National Fire Plan Operations and Reporting System

OBJECTIVE(S): Determine whether controls are adequate to ensure the completeness, accuracy, and reliability of the data entered into the National Fire Plan operations and reporting system.

TITLE: National Fire Plan Contracting Process

OBJECTIVE(S): Identify potential problems and audit issues of FS' approximately \$244 million of contracting relating to the National Fire Plan.

TITLE: National Fire Plan Large Fire Suppression Costs

OBJECTIVE(S): Determine if FS has effectively controlled, accounted for, and reported large fire costs. Emergency fire costs have grown to exceed \$1 billion per year. External and internal reviews have identified numerous problems in large fire costs.

TITLE: National Fire Plan Cache Accountability

OBJECTIVE(S): Perform a preliminary assessment of controls governing procurement, maintenance, and security of material and supplies at FS fire caches at both national and local facilities.

Natural Resources Conservation Service

TITLE: Controls Over Technical Service Providers

OBJECTIVE(S): Evaluate controls exercised over the designation of individuals and entities as technical service providers (TSP) through self-certification by the applicant and through recommending organizations. Evaluate the controls over the measurement and accountability system that measures and

monitors the use and performance of TSPs and the cost incurred to install the conservation practices based on not-to-exceed rates.

TITLE: Wetland Reserve Program - Implementation of Conservation Practices

OBJECTIVE(S): Assess NRCS' implementation and monitoring of the wetland reserve program conservation practices.

FARM AND FOREIGN AGRICULTURAL SERVICES

Commodity Credit Corporation (CCC)

TITLE: Monitoring the Audit of CCC's FY 2003 Financial Statement
Monitoring the Audit of CCC's FY 2004 Financial Statement

OBJECTIVE(S): Determine if CCC's financial statements are presented fairly in all material respects in accordance with applicable accounting principles, if internal accounting controls are adequate, and if CCC complies with applicable laws and regulations. (CCC has contracted the FY 2003 audit to a large CPA firm, and it will remain contracted for FY 2004.)

Foreign Agricultural Service (FAS)

TITLE: International Trade Policies and Procedures

OBJECTIVE(S): Followup on prior FAS procedures and controls over trade agreement monitoring process. Assess FAS regulatory procedures as management control: the role of foreign posts in the monitoring process, the availability of archive of trade agreements to the public as a resource, and other issues.

TITLE: FAS Market Development Programs

OBJECTIVE(S): Determine whether funds provided for market development programs were properly expended. Determine whether FAS accomplished program objectives through reimbursements and cost share agreements with various trade organizations with the \$120 million it invested in market development programs.

TITLE: Oversight of Private Voluntary Organizations (PVO) Operations

OBJECTIVE(S): Follow-up of a prior audit of FAS PVO grant fund accountability for Food for Progress and Global food for Education 416(b) Programs. Determine if the prior report recommendations were implemented. Identify and test FAS controls designed to ensure that PVOs use commodities and funds provided for direct distribution and monetization programs in accordance with program objectives.

Farm Service Agency (FSA)

TITLE: Minority Participation in FSA’s Farm Loan Programs

OBJECTIVE(S): Determine if actions taken by FSA and the Department have a positive effect on minority participation in FSA farm loan programs (i.e., reduce number of complaints, compatible loan application processing time for all groups, targeting resources/outreach to minority groups, improved loan servicing for minority groups).

TITLE: Milk Income Loss Contract (MILC) Program

OBJECTIVE(S): Evaluate the system of internal controls to ensure, nationwide, that MILC payments are properly calculated and issued to eligible dairy producers for eligible production not exceeding the established production cap per “dairy operation.”

TITLE: FSA Compliance Activities

OBJECTIVE(S): Evaluate the coordination, effectiveness, and efficiency of FSA’s various systems of internal reviews, e.g., program compliance spot checks, County Operations Review Program comprehensive and target reviews, National Internal Reviews of the farm loan programs, etc.

TITLE: FSA Improper Payments – Finality Rule and Misaction/Misinformation

OBJECTIVE(S): Determine whether controls are in place and functioning to ensure FSA properly identifies and reports improper payments resulting from the application of agency waiver authorities including the Finality Rule and Misaction/Misinformation provisions.

TITLE: End-of-Year Payment Limitation Reviews (EOYR)

OBJECTIVE(S): Determine whether FSA EOYRs are adequate to detect errors and irregularities and determine whether FSA consistently conducts and adequately documents EOYRs nationwide.

Risk Management Agency (RMA)

TITLE: Evaluation of Pool Distribution of Policies by Insurance Companies

OBJECTIVE(S): Determine if reinsurance companies are using the pools (i.e., assigned risk) to enable them to provide coverage to producers with poor farming practices rather than make a determination poor farming practices are being followed. Determine if reinsurance companies are able to reassign policies from the commercial pool to either the developmental or assigned risk pool once it has been determined the producer has a loss, or if no loss occurs.

TITLE: Monitoring the Audit of FCIC's FY 2003 Financial Statements
Monitoring the Audit of FCIC's FY 2004 Financial Statements

OBJECTIVE(S): Determine if FCIC's financial statements are presented fairly in all material respects in accordance with applicable accounting principles, if internal accounting controls are adequate, and if FCIC complies with laws and regulations. (OIG has contracted the FY 2003 FCIC Financial Statement Audit, and it will remain contracted in FY 2004.)

TITLE: RMA Error Rate

OBJECTIVE(S): Perform a statistical sample review of the 2002 crop insurance year claims. This review would be performed to establish an error rate for reinsurance company operations. Audit of the 2000 disaster program and prior audits of crop insurance indemnities have shown an error rate of about 10 percent. This would be a nationwide statistical sample to establish an error rate that would be the baseline for the propriety of reinsured company compliance with Manual 14 compliance.

TITLE: Monitoring of RMA Renegotiation of the Standard Reinsurance Agreement (SRA)

OBJECTIVE(S): Assess RMA actions for SRA renegotiation to ensure congressional intent for crop insurance is fully supported by the new SRA.

TITLE: Implementation of Significant Selected Agricultural Risk Protection Act (ARPA) Provisions

OBJECTIVE(S): Assess the reasonableness of actions taken to implement significant ARPA provisions such as data mining and contracting. These provisions had not been fully implemented at the time of our initial survey of ARPA implementation activities and our survey of the SRA renegotiation.

RURAL DEVELOPMENT

TITLE: Rural Development's FY 2003 Financial Statements
Monitoring of Rural Development's FY 2004 Financial Statements

OBJECTIVE(S): Determine if Rural Development's consolidated financial statements are prepared fairly in all material respects in accordance with applicable accounting principles, if internal accounting controls are adequate, and if Rural Development complies with applicable laws and regulations. (Rural Development will contract for its FY 2004 Financial Statement Audit.)

Rural Business-Cooperative Service (RBS)

TITLE: Delta Regional Commission

OBJECTIVE(S): As mandated by appropriation legislation, determine if the Delta Regional Authority's management controls are in place to ensure funds appropriated by Congress are safeguarded against waste and abuse.

Rural Housing Service (RHS)

TITLE: Rural Rental Housing Construction Costs

OBJECTIVE(S): Determine if internal controls are adequate to ensure that construction costs claimed on RD Form 1924-13 are accurate and were actually incurred, and loan funds were used only for authorized purposes. This work will follow up on OIG audits conducted in 1992-1993.

TITLE: Accuracy of Borrower Accounts

OBJECTIVE(S): Evaluate the accuracy and effectiveness of servicing actions taken on Section 502/504 loans by the Centralized Servicing Center (CSC) and identify related control weaknesses. OIG has recently received many Hotline complaints regarding possible erroneous balances. Determine whether or not there is any pattern or substance to the numerous Hotline complaints that have been filed. Assess the impact any error may have had upon borrower accounts.

TITLE: Single Family Housing Loan Servicing Actions

OBJECTIVE(S): Review internal controls over CSC's single family special loan-servicing procedures. Review borrower eligibility for the following servicing actions: bankruptcies, foreclosures/real estate only inventories, assumptions, moratoriums, interest credit/payment assistance agreements, and graduations to private lenders. Review how the automated systems support these functions.

Rural Utilities Service (RUS)

TITLE: Monitoring Rural Telephone Bank's (RTB) FY 2003 Financial Statement
Monitoring Rural Telephone Bank's FY 2004 Financial Statement

OBJECTIVE(S): Determine if RTB's financial statements are presented fairly in all material respects in accordance with applicable accounting principles, if internal accounting controls are adequate, and if RTB complies with laws and regulations. (OIG contracted the FY 2003 RTB Financial Statement Audit with a CPA firm, and it will remain contracted for FY 2004.)

FOOD, NUTRITION AND CONSUMER SERVICES

Food and Nutrition Service (FNS)

TITLE: WIC Vendor Monitoring

OBJECTIVE(S): Assess States' compliance with recent WIC rules regarding food delivery systems that were to be implemented by States no later than February 2002. Determine if FNS has provided sufficient guidance to assist States in implementation of the new rules.

TITLE: Controls Over Eligibility Determinations for the National School Lunch Program

OBJECTIVE(S): Evaluate the progress made by FNS to improve the accuracy of eligibility determinations for the National School Lunch Program. Evaluate the results of FNS pilot projects and related regulatory proposals.

TITLE: Food and Nutrition Service's FY 2003 Financial Statements
Food and Nutrition Service's FY 2004 Financial Statements

OBJECTIVE(S): Determine if FNS' financial statements are prepared fairly in all material respects in accordance with applicable accounting principles, if internal accounting controls are adequate, and if FNS complies with applicable laws and regulations.

TITLE: Analysis of Electronic Benefits Transfer (EBT) Data Bases

OBJECTIVE(S): Review and assess various EBT databases to identify opportunities for improving management of Food Stamp Program operations.

TITLE: Continued Monitoring of EBT Operations

OBJECTIVE(S): Evaluate the adequacy of controls and assess functionality of these controls for newly implemented and recently modified EBT systems.

FOOD SAFETY

Food Safety and Inspection Service (FSIS)

TITLE: Egg Processing Inspection

OBJECTIVE(S): Determine whether FSIS' sanitation of processing in egg products plants is adequate.

TITLE: Food Safety Information Systems

OBJECTIVE(S): Evaluate the effectiveness of FSIS' information in scheduling compliance activities and product testing, and in timely alerting FSIS managers of meat and poultry establishments that need additional monitoring of corrective actions. Our audit would target key information systems, such as the Performance Based Inspection System and the District Early Warning System, which play critical roles in the overall system of inspections for domestic meat and poultry establishments.

RESEARCH, EDUCATION, AND ECONOMICS

Agricultural Research Service (ARS)

TITLE: Adequacy of Controls To Prevent the Release of Sensitive Technology

OBJECTIVE(S): Determine if ARS has allowed the transfer of sensitive technology to the public. Determine the eligibility of agreement partners, especially partners with potentially sensitive agreements.

TITLE: Controls Over Technology Transfer Agreements

OBJECTIVE(S): Determine whether ARS is appropriately controlling the administration of its technology transfer agreements.

TITLE: Implementation of the Government Performance and Results Act in the Agricultural Research Service

OBJECTIVE(S): Evaluate ARS' implementation of GPRA by assessing the effectiveness of the process for establishing performance goals and objectives, evaluating internal controls over performance measurement and reporting, and assessing the validity and verifiability of reported accomplishments.

Cooperative State Research, Education, and Extension Service (CSREES)

TITLE: Management of IFAFS Competitive Grant Expenditures

OBJECTIVE(S): Determine whether CSREES is providing adequate oversight of the competitive grant expenditures for the Initiative for Future Agriculture and Food Systems (IFAFS). Survey results indicate that CSREES may not be able to provide reasonable assurance.

MARKETING AND REGULATORY PROGRAMS

Animal and Plant Health Inspection Service (APHIS)

TITLE: Implementation of the Listed Agent or Toxin Regulations

OBJECTIVE(S): Evaluate APHIS' implementation of regulations governing the possession, use, and transfer of biological agents and toxins. Determine if the agency implemented adequate controls and procedures over registration for possession and use of biological agents and toxins. Review the security and personnel risk assessments. Determine whether the controls and procedures over the registration process adequately safeguard biological inventories.

TITLE: Emergency Pest Eradication and Control Programs

OBJECTIVE(S): Determine if APHIS' emergency programs effectively and efficiently responded to the introduction of plant pests, the coordination of control efforts with other State and Federal agencies, and the administration of control/eradication projects. Evaluate plans in place to respond to homeland security threats such as the intentional introduction of agricultural pests and diseases into this country.

TITLE: Agency Memorandums of Understanding with the Department of Homeland Security (DHS)

OBJECTIVE(S): Determine whether the Department has taken adequate corrective actions in response to our previous audits of the agency's Agricultural Quarantine Inspection Programs. Many of these functions were transferred to DHS and require coordination between USDA and DHS. This is being accomplished through a variety of memorandums of understanding.

CIVIL RIGHTS

TITLE: Implementation of Recommendations from Prior Civil Rights (CR) Audits

OBJECTIVE(S): Determine if actions taken by CR have a positive effect on program and employment CR complaint processes. An Assistant Secretary for CR (for USDA) was created and the position filled in April 2003. Determine if this has resulted in effective change.

OFFICE OF THE CHIEF FINANCIAL OFFICER

TITLE: USDA Working Capital Fund's FY 2003 Financial Statements
USDA Working Capital Fund's FY 2004 Financial Statements

OBJECTIVE(S): Determine if USDA's Working Capital Fund (WCF) financial statements are presented fairly in all material respects in accordance with applicable accounting principles, if internal accounting controls are adequate, and if WCF complies with applicable laws and regulations.

TITLE: FY 2004 National Finance Center (NFC) Internal Control Structure Review

OBJECTIVE(S): Determine whether NFC's internal control structure is appropriately documented and provides reasonable assurance that data is processed properly.

TITLE: FY 2004 Agreed-Upon Procedures: Retirement, Health, and Life Insurance Headcount

OBJECTIVE(S): Assess the validation of the NFC Payroll/Personnel databases through field office confirmations for retirement, health, and life insurance withholdings/contributions and supplemental semiannual headcount report submitted to the Office of Personnel Management.

OFFICE OF THE CHIEF INFORMATION OFFICER

TITLE: National Information Technology Center's (NITC) General Controls Review - FY 2004

OBJECTIVE(S): Determine if the general controls at NITC are in place and operating effectively.

MULTIPLE AGENCY AUDITS

- TITLE:** Controls Over Assessing Environmental Liabilities
- OBJECTIVE(S):** Examine controls for assessing environmental liabilities prior to the acquisition or disposal of land. Review the application of the requirements of agencies' land transactions (sales, trades, or other conveyances). Examine the adverse impact from inadequate, negligent, or false certifications of hazardous environmental conditions.
- TITLE:** USDA Compliance with the Improper Payments Act of 2002
- OBJECTIVE(S):** Determine what actions agencies have taken to comply with requirements of the Improper Payments Act of 2002 to determine if the programs they administer are susceptible to improper payments.
- TITLE:** Implementation of Budget and Performance Integration (BPI) In USDA
- OBJECTIVE(S):** Evaluate the system of controls over Departmental planning for BPI; assess the development of full costs associated with program performance; evaluate the controls in place to ensure the validity and verifiability of reported data; determine whether program managers are using budget and performance data to more effectively and efficiently manage their program; and evaluate agency efforts to address each phase of OMB's program assessment rating tool ("PART").
- TITLE:** USDA's FY 2003 Financial Statements
USDA's FY 2004 Financial Statements
- OBJECTIVE(S):** Determine if USDA's financial statements are presented fairly in all material respects in accordance with applicable accounting principles, if internal accounting controls are adequate, and if the Department complies with applicable laws and regulations.
- TITLE:** FY 2004 Review of USDA's Implementation of the Federal Information Security Management Act (FISMA)
- OBJECTIVE(S):** Evaluate USDA's information security program and practices as required by FISMA.

- TITLE:** Environmental Quality Incentives Program (EQIP)
- OBJECTIVE(S):** Evaluate the administration of EQIP based on increased funding and changes in funding methodology as specified in the 2002 FSRIA. A prior audit disclosed numerous questioned areas relative to the distribution of funding among States and funded conservation practices.
- TITLE:** Biosecurity Grant Funding
- OBJECTIVE(S):** Evaluate the use and effectiveness of homeland security funding made through grants and cooperative agreements administered by various USDA agencies to non-Federal cooperators.
- TITLE:** Effectiveness of Quality Control Systems in Assessing Producer Compliance
- OBJECTIVE(S):** Evaluate the effectiveness of USDA quality control systems in assessing producer compliance with program requirements and determinations of producer eligibility for program participation. This will include NRCS' status review process, FSA's spot check process, and other quality controls processes.
- TITLE:** Controls Over Separation of Genetically Engineered Crops
- OBJECTIVE(S):** Determine whether the Department has designated appropriate oversight on this issue and developed adequate controls to prevent the inadvertent commingling of genetically engineered crops with non-genetically engineered crops.
- TITLE:** Controls Over Genetically Engineered Animal/Insects Research
- OBJECTIVE(S):** Determine whether the Department has designated appropriate oversight on this issue and if USDA regulations provide adequate authority to control genetically engineered research. Determine whether agencies have sufficient controls to ensure that research specimens are not inadvertently released into the environment.

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APPENDIX III

FISCAL YEAR 2004 AUDITS PLANNED

AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
AMS	ADEQUACY OF MEAT GRADING PROCEDURES	CH		100
	CERTIFICATION OF PROCESSED COMMODITIES	CH		100
	FRESH PRODUCT GRADING AND CERTIFICATION	CH		25
	NATIONAL ORGANIC PROGRAM	HY		120
	SURVEY OF AMS CONTRACT COMPETITIVE BIDDING PRACTICES	KC		75
	AUDIT MANAGEMENT AND LIAISON	ALL		120
	<i>SUBTOTAL 540</i>			
APHIS	IMPLEMENTATION OF THE LISTED AGENT OR TOXIN REGULATIONS	AT	CH KC TE	550
	INVESTIGATION AND ENFORCEMENT SERVICES	CH		100
	EMERGENCY PEST ERADICATION AND CONTROL PROGRAMS	CH		75
	AGENCY MEMORANDA OF UNDERSTANDING WITH THE DEPARTMENT OF HOMELAND SECURITY	CH		150
	WILDLIFE SERVICES - AERIAL ACQUISITION PROCEDURES	KC		25
	SAFETY OF APHIS AIRCRAFT	KC		200
	APHIS EXOTIC NEWCASTLE DISEASE PROJECT – COOPERATIVE AGREEMENTS	SF		50
	APHIS ANIMAL CARE INSPECTION AND INVESTIGATION ACTIVITIES	SF		100
	CONTROLS OVER APHIS ISSUANCE OF GENETICALLY ENGINEERED ORGANISMS RELEASE PERMITS	TE		250
	AUDIT MANAGEMENT AND LIAISON	ALL		428
	<i>SUBTOTAL 1928</i>			
ARS	ADEQUACY OF CONTROLS TO PREVENT THE RELEASE OF SENSITIVE TECHNOLOGY	CH	AT HY KC SF	450
	CONTROLS OVER TECHNOLOGY TRANSFER AGREEMENTS	CH	AT HY KC SF	450
	IMPLEMENTATION OF THE GOVERNMENT PERFORMANCE AND RESULTS ACT IN ARS	CH		200
	AUDIT MANAGEMENT AND LIAISON	ALL		314
	<i>SUBTOTAL 1414</i>			

AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
CCC	MONITORING THE AUDIT OF CCC'S FY 2003 FINANCIAL STATEMENTS	FM		100
	MONITORING THE AUDIT OF CCC'S FY 2004 FINANCIAL STATEMENT	FM		200
	REVIEW OF CCC FUNDS CONTROL AND PAYMENT CONTROL SYSTEMS	FM		50
	GSM GUARANTEED LOAN ACCOUNTING SYSTEM	FM		50
	AUDIT MANAGEMENT AND LIAISON	ALL		114
	<i>SUBTOTAL 514</i>			
CIO	NATIONAL INFORMATION TECHNOLOGY CENTER (NITC) GENERAL CONTROLS REVIEW – FY 2004	FM		200
	AUDIT MANAGEMENT AND LIAISON	ALL		57
	<i>SUBTOTAL 257</i>			
CR	IMPLEMENTATION OF RECOMMENDATIONS FROM PRIOR CIVIL RIGHTS AUDITS	HQ		150
	AUDIT MANAGEMENT AND LIAISON	ALL		43
	<i>SUBTOTAL 193</i>			
CSREES	MANAGEMENT OF IFAFS GRANT EXPENDITURES	AT	KC SF	450
	CSREES IMPLEMENTATION OF AREERA MATCHING REQUIREMENTS	TE		200
	AUDIT MANAGEMENT AND LIAISON	ALL		186
	<i>SUBTOTAL 863</i>			
FAS	INTERNATIONAL TRADE POLICY AND PROCEDURES	AT		50
	FAS MARKET DEVELOPMENT PROGRAMS	AT		25
	OVERSIGHT OF PRIVATE VOLUNTARY ORGANIZATION OPERATIONS	AT		175
	MARKET ACCESS PROGRAM	AT		150
	GLOBAL FOOD FOR EDUCATION INITIATIVE	AT		100
	AUDIT MANAGEMENT AND LIAISON	ALL		143
	<i>SUBTOTAL 643</i>			
FNS	REFORM OF FOOD STAMP QUALITY CONTROL SYSTEM	AT		75
	NUTRITION ASSISTANCE PROGRAM - PUERTO RICO	AT		200
	WIC PROGRAM VERIFICATION OF ELIGIBILITY	AT		100
	SURVEY OF FNS - WIC PROGRAM, PUERTO RICO	AT		250
	WIC ADMINISTRATIVE COSTS	AT		250
	RETAILERS FOR THE SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS	AT		50

AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
	AND CHILDREN			
	FOOD STAMP PROGRAM WORKER INTEGRITY	AT		75
	NATIONAL SCHOOL LUNCH PROGRAM - SOUTH CAROLINA	AT		150
	NATIONAL SCHOOL LUNCH PROGRAM – MEAL COUNTS	CH		600
	WIC VENDOR MONITORING	CH		100
	USDA COMPLIANCE WITH IMPROPER PAYMENT ACT REPORTING REQUIREMENTS	CH		25
	CONTROLS OVER USDA-DONATED COMMODITIES	CH	SF TE	400
	EFFECTIVENESS OF COMPLIANCE BRANCH OPERATIONS	CH		200
	CONTROLS OVER ELIGIBILITY DETERMINA- TIONS FOR THE NATIONAL SCHOOL LUNCH PROGRAM	CH		100
	FY 2003 FNS FINANCIAL STATEMENTS	HY		500
	FY 2004 FNS FINANCIAL STATEMENTS	FM	HY	250
	FOOD STAMP PROGRAM - BENEFITS FOR NEWLY QUALIFIED IMMIGRANTS	HY		90
	ADMINISTRATION AND MANAGEMENT OF WIC IN THE NORTHEAST UNITED STATES	HY		270
	FOLLOWUP AUDIT - DISTRICT OF COLUMBIA SCHOOL LUNCH	HY		275
	SUMMER FOOD SERVICE PROGRAM	HY		100
	NATIONAL SCHOOL LUNCH AND SCHOOL BREAKFAST PROGRAMS NATIONAL ISSUES	HY		275
	REVIEW OF STATE FSP CLAIMS SYSTEMS AND FNS' MANAGEMENT OF CLAIM IMPROVEMENT PROCESS	HY		170
	NEW YORK CITY CASEFILE DOCUMENTATION – FOOD STAMP PROGRAM	HY		300
	ANALYSIS OF EBT DATA BASES	HY		230
	CONTINUED MONITORING OF EBT OPERATIONS	HY	AT CH KC SF TE	1430
	NSLP - SAFEGUARDING AND CREDIT FOR COMMODITIES	KC		200
	FOOD STAMP PROGRAM ERROR RATE REDUCTION - CALIFORNIA	SF		200
	FOOD STAMP EMPLOYMENT AND TRAINING PROGRAM - CALIFORNIA	SF		50
	FNS - RETAILER REAUTHORIZATIONS AND VISITS	SF		50
	FNS - IMPLEMENTATION OF TIERING REQUIREMENTS	SF		50
	FNS - ALERT AND WATCHLIST	SF		200
	FNS ADVANCED PLANNING DOCUMENTS	TE		300

AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
	STRATEGIC MONITORING OF THE ELECTRONIC BENEFIT TRANSFER SYSTEM DEVELOPMENT IN NEW MEXICO	TE		75
	AUDIT MANAGEMENT AND LIAISON	ALL		2167
	<i>SUBTOTAL 9757</i>			
FS	IMPLEMENTATION OF THE HEALTHY FORESTS INITIATIVE	AT		100
	CONTROLS OVER FOREST SERVICE PILOT CERTIFICATIONS	CH		75
	MONITORING THE AUDIT OF FY 2003 FS FINANCIAL STATEMENTS	FM		250
	MONITORING THE AUDIT OF FY 2004 FS FINANCIAL STATEMENTS	FM		200
	NATIONAL FIRE MANAGEMENT ANALYSIS SYSTEM	HY		330
	FOREST SERVICE IMPLEMENTATION OF THE GOVERNMENT PERFORMANCE AND RESULTS ACT	HY		150
	ADMINISTRATION OF SPECIAL FOREST PRODUCTS	SF		50
	FS TIMBER SALVAGE SALE PROGRAM	SF		50
	FS SPECIAL USE PROGRAM, SURVEY	SF		50
	FS STEWARDSHIP CONTRACTING PILOT PROJECT	SF		100
	FS RECREATION FACILITIES MANAGEMENT	SF		25
	FS TRUST FUNDS	SF		25
	FIRE PLAN EASEMENT PROGRAM	SF		25
	NATIONAL FIRE PLAN OPERATIONS AND REPORTING SYSTEM	SF		150
	NATIONAL FIRE PLAN COMPLIANCE TO FIREFIGHTING SAFETY STANDARDS	SF		50
	NATIONAL FIRE PLAN CONTRACTING PROCESS	SF		50
	FS USE OF COLLABORATIVE VENTURES AND PARTNERSHIPS WITH NON-FEDERAL ENTITIES	SF		50
	NATIONAL FIRE PLAN MONITORING	SF		200
	FS PROCUREMENT OF NEW FIREFIGHTING LEAD PLANES	SF		100
	NATIONAL FIRE PLAN - LARGE FIRE SUPPRESSION COSTS	SF		150
	NATIONAL FIRE PLAN - FIRE CACHE ACCOUNTABILITY	SF		50
	REVIEW OF COOPERATIVE AND URBAN FORESTRY	TE		300
	SURVEY OF FOREST SERVICE TIMBER THEFT CONTROLS	TE		100
	AUDIT MANAGEMENT AND LIAISON	ALL		751
	<i>SUBTOTAL 3381</i>			

AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
FSA	REVIEW OF FSA LOAN PROGRAM IN PUERTO RICO	AT		200
	MINORITY PARTICIPATION IN FSA'S FARM LOAN PROGRAMS	AT	HY SF TE	500
	CONTROLS OVER ELIGIBILITY FOR SUGAR BEET PAYMENTS	CH		100
	MILK INCOME LOSS CONTRACT (MILC) PROGRAM	CH		150
	FSA COMPLIANCE ACTIVITIES	CH		100
	FSA FY 2003 ACCOUNTING FOR FARM LOAN PROGRAMS	FM		100
	FSA FY 2004 ACCOUNTING FOR FARM LOAN PROGRAMS	FM		100
	FSA INVENTORY PROPERTY MANAGEMENT WHISTLE BLOWER	FM		50
	REVIEW OF FSA'S EMERGENCY SUPPLEMENTAL APPROPRIATIONS	FM		50
	SURVEY OF FSA'S BIOENERGY PROGRAM	HY		200
	EMERGENCY FEED AND LIVESTOCK COMPENSATION PROGRAMS	KC	AT CH HY SF TE	825
	DIRECT AND COUNTER CYCLICAL PAYMENT PROVISIONS UNDER THE 2002 FARM BILL	KC		60
	FSA APPLE MARKET LOSS ASSISTANCE PAYMENT PROGRAM	SF		50
	FARM PROGRAMS	TE		300
	CROP DISASTER PROGRAM	TE		150
	ELECTRONIC LOAN DEFICIENCY PAYMENT (E-LDP) PROGRAM	TE		150
	FSA 1999 OMNIBUS BILL AFFECTING FARM LOAN PROGRAM LOAN-MAKING AND LOAN SERVICING	TE		150
	REVIEW OF FEDERAL ASSISTANCE GRANTS TO PRODUCERS ALONG THE RIO GRANDE RIVER IN TEXAS	TE		150
	FSA IMPROPER PAYMENTS - FINALITY RULE AND MISACTION/MISINFORMATION	TE		150
	END-OF-YEAR PAYMENT LIMITATION REVIEWS	TE	AT	300
	AUDIT MANAGEMENT AND LIAISON	ALL		1095
	<i>SUBTOTAL 4930</i>			
FSIS	EVALUATION OF FSIS' SAMPLING PROGRAM FOR ADVANCED MEAT RECOVERY SYSTEMS	AT		100
	FSIS STATE OPERATED INSPECTION PROGRAMS	AT		50
	HACCP - COMPLIANCE BY VERY SMALL PLANTS	AT		50
	EGG PROCESSING INSPECTION	CH		75
	FOOD SAFETY INFORMATION SYSTEMS	CH	AT HY KC SF TE	1150
	AUTOMATED IMPORT INFORMATION SYSTEM	HY		75

AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
	FSIS IMPLEMENTATION OF CONSUMER SAFETY OFFICER AND PUBLIC HEALTH SAFETY OFFICER PROGRAMS TO REDUCE FOOD- BORNE ILLNESS OUTBREAKS	KC		75
	AUDIT MANAGEMENT AND LIAISON	ALL		450
	<i>SUBTOTAL 2025</i>			
GIPSA	REVIEW OF THE GRAIN INSPECTION SIDE OF GIPSA	HY		200
	AUDIT MANAGEMENT AND LIAISON	ALL		57
	<i>SUBTOTAL 257</i>			
MULTI	DEPARTMENTAL PROCUREMENT PRACTICES	AT		75
	CONTROLS OVER ASSESSING ENVIRONMENTAL LIABILITIES	AT		100
	INTERNATIONAL FOOD AND TRADE PROGRAMS	AT		100
	USDA COMPLIANCE WITH IMPROPER PAYMENTS ACT OF 2002	CH	AT HY KC TE	825
	IMPLEMENTATION OF BUDGET AND PERFORMANCE INTEGRATION IN USDA	CH		100
	REVIEW OF USDA LOAN ASSET SALES	FM		200
	FY 2003 USDA FINANCIAL STATEMENTS	FM		335
	FY 2004 USDA FINANCIAL STATEMENTS	FM	AT CH HY KC SF TE	1500
	MONITORING OF USDA IMPLEMENTATION OF COST ACCOUNTING SYSTEMS	FM		50
	SECURITY OVER USDA'S COMMON COMPUTING ENVIRONMENT IT RESOURCES	FM		100
	FY 2004 REVIEW OF USDA FEDERAL INFORMATION SECURITY MANAGEMENT ACT	FM		200
	SECURITY OF USDA INFORMATION TECHNOLOGY RESOURCES (PHASE IV)	FM	AT CH HY KC SF TE	700
	E-GOVERNMENT SECURITY IN USDA	FM		150
	REVIEW OF USDA'S APPLICATION CONTROLS – FY 2004	FM	AT CH HY KC SF TE	1100
	USDA TELECOMMUNICATION CONTROLS	FM		100
	VERIFICATION OF FSA & RD DEBTS EXCLUDED FROM THE TREASURY OFFSET PROGRAM	FM		50
	ARS AND FSIS COORDINATED FOOD SAFETY RESEARCH EFFORTS	HY		120
	REVIEW OF USDA AGENCIES' MANAGEMENT OF WORKERS COMPENSATION COSTS	HY		400
	REVIEW OF USDA CONTRACT ACTIVITIES	HY		280
	REVIEW OF BACKGROUND CHECKS	HY		110
	AMS' PURCHASE SPECIFICATION REQUIREMENTS FOR GROUND BEEF	HY		265
	IMPLEMENTATION OF THE BIOTERRORISM ACT	KC		100
	HOMELAND SECURITY ISSUES WITH IT	KC		150

AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
	CONTRACTORS			
	ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	KC	AT CH HY SF TE	900
	BIOSECURITY GRANT FUNDING	KC		300
	EFFECTIVENESS OF QUALITY CONTROL SYSTEMS IN ASSESSING PRODUCER COMPLIANCE	KC	AT CH HY SF TE	700
	BSE SURVEILLANCE PROGRAM	KC		100
	FSA/CCC WAREHOUSE REVIEW	SF		50
	CONTROLS OVER SEPARATION OF GENETICALLY ENGINEERED CROPS	TE		200
	CONTROLS OVER GENETICALLY ENGINEERED ANIMAL/INSECTS RESEARCH	TE		150
	CPA OVERSIGHT	TE		25
	AUDIT FOLLOWUP	ALL	except FM	510
	CONTRACT AUDIT ADMINISTRATION	HQ	TE KC	80
	DEVELOPMENTAL AUDITS	ALL		870
	LAN AND ARGOS MAINTENANCE	ALL	CH SF	350
	SINGLE AUDIT MANAGEMENT	KC	AT SF TE	500
	SPECIAL REQUEST	ALL	except FM	1250
	AUDIT MANAGEMENT AND LIAISON	ALL		3739
	<i>SUBTOTAL 16834</i>			
NRCS	CONTROLS OVER TECHNICAL SERVICE PROVIDERS	CH		100
	WETLANDS RESERVE PROGRAM – VALUE OF EASEMENTS	SF		100
	WETLANDS RESERVE PROGRAM – IMPLEMENTATION OF CONSERVATION PRACTICES	SF		250
	SURVEY OF NRCS CONTROLS OVER CENTERS AND INSTITUTES	TE		100
	AUDIT MANAGEMENT AND LIAISON	ALL		157
	<i>SUBTOTAL 707</i>			
OCFO	MONITORING THE AUDIT OF FY 2003 WORKING CAPITAL FUND FINANCIAL STATEMENTS	FM		50
	MONITORING THE AUDIT OF FY 2004 WORKING CAPITAL FUND FINANCIAL STATEMENTS	FM		25
	REVIEW OF PUBLIC KEY INFRASTRUCTURE AT OCFO/NFC	FM		50
	FY 2004 NATIONAL FINANCE CENTER INTERNAL CONTROL STRUCTURE REVIEW	FM		950
	FY 2004 AGREED-UPON PROCEDURES: RETIREMENT, HEALTH, AND LIFE INSURANCE AND HEADCOUNT	FM		40

AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
	REVIEW OF CONTROLS OVER E-PAYMENTS AT OCFO/NFC	FM		50
	REVIEW OF PURCHASE CARD SYSTEM FOR SELECTED AGENCIES	FM		300
	AUDIT MANAGEMENT AND LIAISON	ALL		418
	<i>SUBTOTAL 1883</i>			
RBS	DELTA REGIONAL COMMISSION	AT		75
	GRANT AWARD PROCESS FOR RENEWABLE ENERGY INITIATIVES	HY		190
	RBS VALUE-ADDED AGRICULTURAL PRODUCT MARKET DEVELOPMENT GRANTS	KC		400
	B&I LOAN EQUITY REQUIREMENTS	SF		100
	AUDIT MANAGEMENT AND LIAISON	ALL		218
	<i>SUBTOTAL 983</i>			
RD	RURAL DEVELOPMENT'S FY 2003 FINANCIAL STATEMENTS	FM		600
	MONITORING OF THE RURAL DEVELOPMENT'S FY 2004 FINANCIAL STATEMENTS	FM		400
	AUDIT MANAGEMENT AND LIAISON	ALL		286
	<i>SUBTOTAL 1286</i>			
RHS	EVALUATION OF SINGLE-FAMILY HOUSING BORROWER INCOME VERIFICATION - FLORIDA	AT		75
	SINGLE-FAMILY HOUSING IN SOUTH CAROLINA	AT		200
	SUBSIDY PAYMENT ACCURACY IN MULTI- FAMILY HOUSING PROGRAM	AT	CH HY KC SF TE	925
	SERVICING AND ACCOUNTABILITY OF SOLD RURAL HOUSING LOANS	AT		150
	RURAL RENTAL HOUSING CONSTRUCTION COSTS	CH		100
	RURAL RENTAL HOUSING PROJECT MANAGEMENT	CH		75
	ACCURACY OF BORROWER ACCOUNTS	CH		100
	RURAL DEVELOPMENT'S ESCROW PROCESS FOR SINGLE FAMILY HOUSING BORROWERS	CH		100
	SINGLE FAMILY HOUSING LOAN SERVICING ACTIONS	FM		200
	COST ANALYSIS OF THE SELF-HELP HOUSING PROGRAM	SF		50
	AUDIT MANAGEMENT AND LIAISON	ALL		564
	<i>SUBTOTAL 2539</i>			
RMA	REVIEW OF SWEET POTATO CROP INSURANCE IN NORTH CAROLINA	AT		150
	REVIEW RMA COMPLIANCE OFFICE	AT		150
	RMA POLICY HOLDERS	AT		150

AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
	RMA COTTON PREMIUM RATES	AT		100
	EVALUATION OF POOL DISTRIBUTION OF POLICIES BY INSURANCE COMPANIES	AT		200
	INDEMNITY CLAIMS	CH		200
	MONITORING THE AUDIT OF FY 2003 FCIC FINANCIAL STATEMENTS	FM		40
	MONITORING THE AUDIT OF FY 2004 FCIC FINANCIAL STATEMENTS	FM		60
	RMA ERROR RATE	KC	AT SF TE	175
	MONITORING OF RMA RENEGOTIATION OF THE STANDARD REINSURANCE AGREEMENT	KC		175
	FIELD VERIFICATION DATA PROVIDED BY REPORTING ORGANIZATIONS	KC	AT CH HY SF TE	550
	ZERO ACREAGE REPORT ABUSE	KC	AT CH HY TE	250
	IMPLEMENTATION OF SIGNIFICANT SELECTED AGRICULTURAL RISK PROTECTION ACT PROVISIONS	KC		200
	REINSURED COMPANY FINANCIAL REVIEW	KC		300
	FINANCIAL REVIEW OF REINSURED ORGANIZATIONS - PHASE 2	KC		200
	RMA PREVENTED PLANTING CLAIMS	SF		50
	REVIEW OF CROP REVENUE COVERAGE POLICIES	TE		200
	PILOT PROGRAMS	TE		200
	AUDIT MANAGEMENT AND LIAISON	ALL		957
	<i>SUBTOTAL 4307</i>			
RUS	WATER AND WASTE DISPOSAL PROGRAM	SF		50
	BROADBAND GRANTS PROGRAM	TE		150
	MONITORING FY 2003 RTB FINANCIAL STATEMENT AUDIT	FM		40
	MONITORING FY 2004 RTB FINANCIAL STATEMENT AUDIT	FM		60
	AUDIT MANAGEMENT AND LIAISON	ALL		86
	<i>SUBTOTAL 386</i>			
	GRAND TOTAL 55600			