



United States
Department of
Agriculture

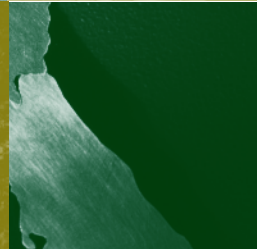
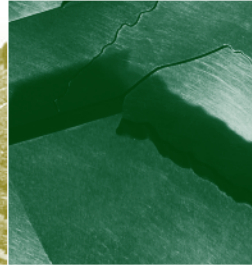
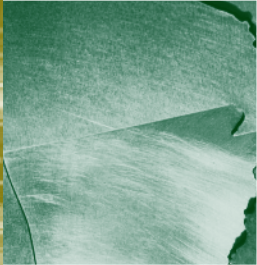
Office of
Inspector
General

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Office of Inspector General Semiannual Report to Congress

FY 2005-First Half



MISSION OF THE OFFICE OF INSPECTOR GENERAL

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

OFFICE OF INSPECTOR GENERAL STRATEGIC GOALS

We have focused 100 percent of our audit and investigative resources on our three strategic goals:

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

KEY RESPONSIBILITIES OF THE USDA

- administers approximately 300 programs and billions of dollars in grants, loans, and direct benefits.
- is responsible for the safety of meat, poultry, and egg products, eaten by millions of Americans each day.
- leads the Federal anti-hunger effort with food stamps and other feeding programs, which help tens of millions of people each day.
- leads the effort to prevent the introduction and spread of agricultural diseases and pests, and to eliminate or control them when they are found.
- is the steward of our Nation's 193 million acres of national forests and rangelands.
- is also the country's largest conservation agency, encouraging voluntary efforts to protect soil, water, and wildlife on the 70 percent of America's lands that are in private hands (the Nation contains 1.6 billion acres of private and other non-Federal land).
- brings housing, modern telecommunications, and safe drinking water to rural America, which numbers 60 million inhabitants.
- is a research leader in everything from human nutrition to new crop technologies that allow us to grow more food and fiber using less water and pesticides.
- helps ensure open markets for U.S. agricultural products and provides food aid to needy people overseas.

MESSAGE FROM THE INSPECTOR GENERAL

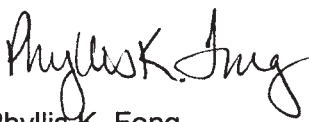
I am pleased to provide the semiannual report for the Office of Inspector General (OIG), U.S. Department of Agriculture (USDA). This report summarizes the most significant OIG audit and investigative activities during the period by our three strategic goals:

- **Safety, Security, and Public Health**—American agriculture generates \$1 trillion in economic activity each year. OIG's work helps to protect agriculture consumers, producers, and USDA personnel and property. In an investigation, the owner of a sausage company, who had killed three food safety officers, was sentenced to death. As part of our efforts to stop mad cow disease, in an audit of Canadian beef imports the Animal and Plant Health Inspection Service (APHIS) and the Food Safety and Inspection Service agreed to better communicate changes in policy and eligibility of product, strengthen controls over permits, and better identify ineligible product.
- **Integrity of Benefits and Entitlements Programs**—USDA benefit and entitlement programs such as the Feeding/Nutrition Programs and the Farm Programs total \$73 billion in annual budget authority. Our investigations yielded convictions in three million-dollar food stamp fraud cases in Chicago and a \$3.6 million case in Philadelphia. One of our audits found that the disparate application of Milk Income Loss Contract production caps led to payment inequities.
- **Management of Public Resources**—The value of assets in USDA's financial systems was \$121.8 billion in fiscal year (FY) 2004. USDA again received an unqualified audit opinion on its consolidated financial statements, but improvements are still needed in financial management systems and quality control.

Our most significant planned and ongoing reviews include monitoring bovine spongiform encephalopathy (BSE) expanded surveillance program implementation (BSE Phase II), the Farm Programs Fraud Indicator Study, and large-fire suppression costs. They will be detailed in future reports as they reach completion.

In the reporting period, our investigations led to 117 convictions, 150 arrests, and \$61.8 million in recoveries and restitutions. Our management-decided audits achieved total dollar results of \$16.3 million, based on recommendations that funds be put to better use and questioned or unsupported costs. We also reached management decisions on 168 program improvement recommendations. These included agreement by the Forest Service to develop a consolidated tracking system for all recommendations and action items related to firefighter safety, and by APHIS to ensure that all hazardous materials inventory inspections are timely and accurate.

Finally, we thank Secretary Mike Johanns for his commitment to improving USDA programs and his support of the OIG. His efforts, along with those of the subcabinet and program officials at all levels of the Department, have contributed greatly to the results we are reporting. We also appreciate the continuing interest and support of the Members of the Senate and House of Representatives with whom we work.



Phyllis K. Fong
Inspector General

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Safety, Security, and Public Health

OIG Strategic Goal 1: Support USDA in the enhancement of safety and security measures to protect USDA and agricultural resources and in related public health concerns

OIG audits and investigations disclose weaknesses, make recommendations for improvement, and highlight strengths in USDA programs. OIG work helps the Department protect consumers and provide a measure of confidence that the Nation's commercial supply of imported and domestic meat, poultry, and egg products is safe, wholesome, and correctly labeled; protect production agriculture from pests, disease, and other threats; and protect USDA personnel and property, and the public from other threats.

In the first half of FY 2005, 23.7 percent of our total audit and investigative resources were devoted to Goal 1, with 99.4 percent of these resources assigned to critical/high impact work. A total of 93.8 percent of our audit recommendations under Goal 1 resulted in management decision within 1 year, and 64 percent of our investigative cases had criminal, civil, or administrative action taken. OIG issued four audit reports under Goal 1 during this reporting period. OIG's investigations under Goal 1 yielded 9 indictments, 14 convictions, and about \$500,000 in monetary results during this reporting period.

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 1

Sausage Company Owner Sentenced to Death for Murder of Three Government Inspectors

On June 21, 2000, the owner of a sausage company in San Leandro, California, shot and killed two Food Safety and Inspection Service (FSIS) compliance officers and one investigator who worked for the State of California Department of Food and Agriculture while they were performing their official duties at his facility. The owner also tried to kill a second State employee, who managed to escape. In October 2004, following a 6-month trial, a jury in Alameda County Superior Court convicted the owner of homicide with special circumstances (i.e., first-degree murder) for the murder of the three officers and for attempted murder of the fourth individual. In December 2004, following a 2-month sentencing phase of the trial, the jury deliberated for 6 days before recommending that the owner be sentenced to death. The judge formally imposed the death sentence in February 2005. This investigation was conducted with the San Leandro Police Department, the Alameda County District Attorney's Office, and the Federal Bureau of Investigation (FBI), with the assistance of FSIS.

Criminal Prosecution Directed Against One FS Manager, Disciplinary Measures Taken Against Five Others for Cramer Fire Deaths

On July 22, 2003, two Forest Service (FS) helitack firefighters (specially trained in the use of helicopters during fire suppression) died in a burnover while fighting the Cramer wildland fire on the Salmon-Challis National Forest in Idaho. As required by a Federal law (7 U.S.C. 2270b) enacted recently, the OIG performed an independent investigation of the firefighters' deaths. Based on our investigation, the U.S. Attorney's Office in Boise, Idaho, sought criminal prosecution of an assistant fire management officer, who had been assigned as the incident commander on the Cramer fire. This incident commander failed to maintain clear command and control at critical points, and key personnel lacked situational awareness. In October 2004, the incident commander agreed to enter into a pretrial diversion program for 18 months and accept his removal from the FS, effective November 2004. In addition, the FS began disciplinary action against five other management officials.

Stopping BSE at the Border—USDA Needs To Strengthen Controls Over Canadian Beef Imports

Following the detection of a Canadian cow with bovine spongiform encephalopathy (BSE or “mad cow disease”) in May 2003, we examined the Animal and Plant Health Inspection Service’s (APHIS) oversight of the importation of beef products from Canada. Following requests from four U.S. Senators, we began several reviews in June 2004 to explore whether USDA did not follow appropriate safety measures, beginning sometime in the fall of 2003, in allowing expanded Canadian beef imports into the United States.

After the initial halt of imports, in August 2003 the Secretary announced a list of low-risk products that would be allowed from Canada. APHIS also allowed an expansion in the type of Canadian facilities that could produce items for export to the United States. The gradual expansion occurred because agency employees included products similar to those on the published low-risk list, but APHIS did not communicate this broadly.

As a result, from August 2003 to April 2004, APHIS issued permits for products with questionable eligibility. Contrary to publicly stated policy, the agency allowed the import of products from Canadian facilities that produced both eligible and ineligible products, increasing the possibility that higher-risk product could be inadvertently imported.

APHIS also issued permits to allow the import of more than 63,000 pounds of beef cheek meat with questionable eligibility because the agency did not establish a clear definition for “boneless beef.” Further, we found that FSIS did not always communicate effectively about the eligibility status of beef cheek meat, specifically to import inspectors. In addition, APHIS issued 1,155 permits for the importation of ruminant (e.g., cow, goat) products from Canada without ensuring that the agency had an appropriate system of internal controls to manage the process for a suddenly overwhelming volume of requests. From May through September 2004, we identified more than 42,000 pounds of product with questionable eligibility.

APHIS generally agreed to institute procedures for communicating changes in policy and monitoring the consistency between agency practice and publicly stated policy, as well as to strengthen controls and finalize procedures to issue and monitor permits. FSIS generally agreed to implement controls to communicate the specific eligibility of product when its eligibility status changes and

to implement an edit check in its import information system to identify ineligible product. (Audit Report No. 33601-1-Hy, APHIS Oversight of the Importation of Beef Products from Canada)

Shortcomings Persist in USDA-DHS Border Inspection Activities

In March 2003, APHIS’ frontline inspection responsibilities at the ports-of-entry and border crossings were transferred to the U.S. Department of Homeland Security’s (DHS) U.S. Customs and Border Protection (CBP). We determined that APHIS—which is still responsible for policies and procedures—could not ensure that the CBP-administered process for agricultural inspection operations adequately safeguards U.S. agriculture against the entry of foreign pests and diseases. APHIS and CBP have not developed a process to timely elevate critical issues to the Secretarial level when mutual agreement cannot be reached; as a result, key protocols required lengthy interagency negotiation for approval, and critical key oversight functions were delayed until 21 months after the transition. APHIS also needed to work with CBP and FSIS to expand controls to all incoming shipments of meat or meat products to ensure they reach the FSIS I-Houses (inspection houses) for reinspection before entering commerce.

We continue to work with APHIS on a number of unresolved issues from our February 2003 report on border and port inspections (Audit No. 33601-3-Ch), which disclosed various shortcomings in the inspection process. Many recommendations remain unresolved because of issues arising from the transition; APHIS officials often no longer have direct control or even knowledge of port operations that were transferred to CBP. APHIS must coordinate with, and issue policies and procedures as needed to, CBP.

APHIS officials concurred on the need to resolve outstanding issues with CBP, but the best means is under discussion. APHIS officials also noted efforts being undertaken to establish a formal agreement between CBP and FSIS that would include a system for ensuring that all incoming meat shipments are presented for reinspection. In March 2005, we began a joint audit (33601-7-Ch) with DHS OIG on this same issue. (Audit Report No. 33601-5-Ch, APHIS, Transition and Coordination of Border Inspection Activities Between USDA and DHS)

Loopholes Disclosed in Unlicensed Exports of Dangerous Biological Materials

This audit was conducted as part of an interagency (the U.S. Departments of Agriculture, Commerce, Homeland Security, Defense, State, and Energy, as well as the Central Intelligence Agency) review to assess whether the current export licensing process can help deter the proliferation of chemical and biological commodities. We identified one entity that exported Highly Pathogenic Avian Influenza (HPAI) to Hong Kong on two occasions without obtaining the required license from the U.S. Department of Commerce (DOC). Officials at the entity were not aware of the licensing requirement for HPAI, which is an extremely infectious and fatal disease for chickens. In 1997, a limited outbreak of 1 strain of HPAI in Hong Kong infected 18 people, 6 of whom died.

We found that APHIS had not established controls over exports of animal and plant pathogens, including listed agents and toxins on the Commerce Control List (CCL), because USDA does not have regulatory authority for exports. APHIS' authority covers only import or interstate/intrastate transfer of such materials, so any exporting license issues were referred to DOC. However, any violation of either APHIS or DOC regulations could expose the country to potential biological attacks by terrorists.

We therefore recommended that APHIS work with DOC to disseminate information regarding CCL export requirements to entities registered with APHIS to help ensure compliance with all controls regarding movement of biological agents and toxins that pose a severe threat to animals and plants. We also recommended that APHIS notify DOC of changes to the list of agents or toxins posing a severe risk to animals or plants, and work with that agency to help determine whether the CCL should be updated. APHIS generally agreed with the findings and recommendations. (Audit Report No. 33601-4-At, Review of Export Licensing Process for APHIS Listed Agents or Toxins)

Ammonia-Contaminated Chicken Sickens 170 Children, Manager Pleads Guilty to Illegally Reboxing Product for School Lunches

The manager of a warehouse and transportation company in Illinois admitted that he ordered the uninspected reboxing of adulterated chicken product that was intended for school lunches in Illinois. Our investigation disclosed that, between June 2002 and

August 2002, the warehouse manager directed warehouse employees to unlawfully rebox and relabel boxes of USDA-inspected chicken products that had become adulterated after a November 2001 ammonia leak. The warehouse was not a licensed USDA-inspected facility and did not have the authority to repackage or relabel USDA-inspected product. The contaminated chicken product was served to schoolchildren in Illinois in November 2002 and is suspected to have caused illness among at least 170 students and 2 faculty members. The plant manager later attempted to obstruct justice when he lied to investigators and tried to manufacture false shipping records. He pled guilty to conspiracy and making false statements. In a subsequent proceeding, the trucking/warehouse/distribution company also pled guilty to transporting uninspected and misbranded poultry products. Sentencings in both instances are pending.

Restaurant Owner Sentenced for Smuggling Beef from Japan, Importation of Which Is Prohibited Due to Disease Concerns

In January 2005, a Los Angeles restaurant owner was placed on probation for 60 months, to include 800 hours of community service, after he pled guilty to smuggling beef from Japan. Under 9 Code of Federal Regulations (C.F.R.) § 94, beef from Japan is a prohibited product for United States importation due to disease. On two occasions in 2001 and 2002, inspectors in Anchorage, Alaska, intercepted shipments sent from Japan that were manifested as "book," but upon inspection by USDA and the United States Customs Service, were found to contain approximately 25 kilograms of beef inside a Styrofoam ice chest. Both shipments were addressed to the restaurant owner. Shipping records showed that the restaurant owner had received 13 shipments manifested as "book" from the same sender in Japan in 2001 and 2002. All but one of the shipments were in the same weight range as the two intercepted shipments. The shipper and the restaurant owner were subsequently indicted for various charges including conspiracy and smuggling. An arrest warrant was issued for the shipper, who is still in Japan.

Fines and Probation Ordered for Smuggling of Misbranded Poultry from Korea

In January 2005, a Los Angeles corporation was fined \$40,000 and placed on probation for 36 months after it pled guilty to smuggling misbranded poultry products from Korea. In addition, the corporation's president and

secretary/treasurer were fined \$5,000 each after they pled guilty to the unlawful sale and transportation of misbranded poultry products. Our investigation revealed that the subjects had imported prohibited poultry and meat food products from Korea on numerous occasions in violation of the Federal Meat Inspection Act and Poultry Products Inspection Act. Between January 1996 and July 1998, they imported more than 123,000 pounds of prohibited poultry and meat food products valued at more than \$240,000. In addition, in 1999, they imported approximately 420 pounds of prohibited and mislabeled poultry and meat food products from Korea valued at approximately \$1,300. Because of Korea's disease status for Hog Cholera, Swine Vesicular Disease, Exotic Newcastle Disease, and Foot and Mouth Disease, these products are prohibited from importation.

Virginia Man Guilty of Selling Animal Fighting Videos and Books

A jury found a Virginia man guilty on three counts of selling across State lines videotapes depicting animal cruelty. This was the first conviction after a trial in this type of case. The man sold animal fighting tapes titled "Japan Pit Fights" and "Pick-A-Winna" through his business. A Federal search warrant served on the illegal business resulted in the seizure of books, videotapes, and other dogfighting paraphernalia. The individual made at least \$50,000 on the sale of the animal fighting merchandise. Sentencing was pending at the end of the reporting period. The Pennsylvania State Police assisted in this investigation.

Investigation Breaks Up Conspiracy To Traffic in Endangered Species

An investigation in Minnesota disclosed that from 1998 until 2003, the owners of an animal park licensed under the Animal Welfare Act, as well as numerous other individuals, sold various animals (e.g., tigers and leopards) in violation of the Lacey Act and falsely represented on APHIS forms that the animals were being donated for no compensation. One of the co-owners of the Minnesota animal park was found guilty at the completion of a 2-day trial of tampering with a witness and obstruction of justice. This same individual later pled guilty to conspiracy and making false statements on APHIS forms. At the completion of a separate trial, the other co-owner also was found guilty of conspiracy and making false statements on APHIS forms. Five additional individuals and one corporation

pled guilty to trafficking in endangered species. This investigation was conducted jointly with the U.S. Fish and Wildlife Service. Sentencing is pending.

Consumer Who Placed Pins in Sausage Sentenced for Product Tampering

In January 2005, a Texas woman was sentenced to serve 366 days in prison, followed by 36 months of supervised release, and was ordered to pay \$275 in restitution after her conviction by a jury. The woman and her husband alleged they found three straight pins in a summer sausage they purchased at a retail store in Sealy, Texas. She and her husband initially denied placing the pins in the sausage and provided sworn statements to that effect. The woman later voluntarily submitted to a polygraph examination during which she confessed to intentionally placing the pins into the summer sausage for monetary gain.

OIG Confirms That Agencies Used Biosecurity Grant Funding Appropriately

During FY 2002, USDA released about \$43 million in State grants and cooperative agreements for strengthening agriculture homeland security protection. Agricultural Research Service (ARS) funding was used for developing or improving diagnostic tools for animal and plant pathogens. APHIS funded agreements for enhancing response capabilities of State and tribal governments to foreign animal diseases. The Cooperative State Research, Education, and Extension Service (CSREES) provided funding to develop diagnostic and reporting networks for plant and animal pathogens. Overall, we determined that the recipients used the funds appropriately. In response to our recommendations, the USDA agencies agreed that the cited institutions would adjust their financial records to account for isolated improper charges and that the grant recipients would be required to submit timely progress and financial reports. The agencies also agreed to establish and document their policies and procedures for conducting site visits to their grantees to monitor grant accomplishments. (Audit Report No. 50099-17-KC, Biosecurity Grant Funding)

State Agency Incurs Unallowable, Unsupported Costs During Exotic Newcastle Disease Eradication

Our review disclosed that APHIS did not act timely to inform the California Department of Food and Agriculture (CDFA) whether it would exercise its option

to take title to \$473,693 worth of equipment purchased with award funds. This occurred because CDFA's failure to disclose the purchase of the equipment prohibited APHIS from retaining title to it. APHIS had worked in conjunction with CDFA, under a reimbursable agreement, to combat the outbreak of Exotic Newcastle Disease (END) in southern California from October 2002 to May 2003. END can kill parrots and other exotic birds and is particularly devastating to chicken flocks.

After our management alert of January 2004 informed APHIS of the purchase and of its proprietary rights, APHIS informed CDFA of its intention to take title to the equipment. We also determined that CDFA charged unallowable and unsupported costs to the award for leased office space that went unoccupied for 6 months (\$32,287) and an accident its employees had in an uninsured vehicle (\$5,249). In addition, CDFA charged \$68,980 for the overtime costs incurred by temporary workers who replaced those assigned to the END project (CDFA would have normally incurred overtime costs regardless of the END project). We questioned a total of \$228,332.

APHIS concurred, exercised its option to retain the equipment, and is collecting from CDFA any unallowable and unsupported costs. (Audit Report No. 33099-10-SF, APHIS, Exotic Newcastle Disease Eradication Project Reimbursable Agreements)

MANAGEMENT CHALLENGES ADDRESSED UNDER GOAL 1

- Homeland Security Considerations Should Be Incorporated Into Program Design and Implementation
- Increased Oversight and Monitoring of Food Safety Inspection Systems Are Needed
- Controls Over Germplasm Storage Material and Genetically Engineered Organism Field Testing Are Critical to U.S. Markets

ONGOING AND PLANNED REVIEWS FOR GOAL 1

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

- adequacy of controls to prevent the release of sensitive technology (ARS),
- evaluation of USDA's progress in enhancing agriculture biosecurity through diagnostic and reporting networks (ARS/CSREES),
- implementation of the Bio-terrorism Act (USDA),
- controls over separation of genetically engineered grains (USDA),
- controls over genetically engineered animal/insect research (USDA),
- application controls over the National Pathogen Inventory (ARS/APHIS),
- followup on FS security over explosives,
- implementation of the Listed Agent or Toxin Regulation – Phases I and II (APHIS),
- the Agricultural Marketing Service's (AMS) National Organic Program,
- participation in the DHS review of CBP's agricultural inspection activities (APHIS),
- APHIS animal care program – monitoring and enforcement activities,
- FSIS State-Operated Inspection Programs,
- Federal/State cooperative Bovine Tuberculosis (TB) Eradication Program (APHIS),
- controls over Michigan's TB-Infected Zone (APHIS),
- purchase specification requirements for ground beef (AMS),
- FSIS oversight of the 2004 Quaker Maid meats recall,
- monitoring BSE expanded surveillance program implementation (BSE Phase II) (APHIS/FSIS),
- controls over BSE sampling, specified risk material, and advanced meat recovery (BSE Phase III) (FSIS),
- review of FSIS' In-Plant Performance System,
- FSIS Assessment of the Equivalence of the Canadian Meat Inspection System,
- oversight of the Avian Flu outbreak (APHIS),
- veterinary certification program (APHIS),
- AMS certification of processed commodities, and
- egg processing inspection (FSIS).

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

Integrity of Benefits and Entitlements Programs

OIG Strategic Goal 2: Reduce program vulnerabilities and enhance integrity in the delivery of benefits to individuals

OIG audits and investigations were conducted to ensure or restore integrity in the various benefit and entitlement programs of USDA, including a variety of programs that provide payments directly and indirectly to individuals or entities. These programs support nutrition, farm production, and rural development and involve tens of billions of dollars in outlays for FY 2005.

In the first half of FY 2005, 45 percent of our total audit and investigative resources were devoted to Goal 2, with 89.6 percent of these resources dedicated to critical/high impact work. A total of 80.4 percent of our audit recommendations under Goal 2 resulted in management decision within 1 year, and 69 percent of our investigative cases had criminal, civil, or administrative action taken. OIG issued seven audit reports under Goal 2 during the reporting period. OIG investigations under Goal 2 yielded 80 indictments, 89 convictions, and about \$59 million in monetary results during the reporting period.

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 2

Food Stamp and Electronic Benefits Transfer (EBT) Fraud Disclosed in Chicago

- In February 2005, the owner of a small grocery store was convicted on three counts of wire fraud and three counts of food stamp benefit trafficking. From July 1997 through October 1998, the storeowner redeemed approximately \$1.9 million in electronic food stamp benefits. Financial analysis of the store's bank account disclosed that the storeowner and several employees obtained approximately \$1.4 million in cash from the store's checking account by writing checks to cash and to themselves. The investigation disclosed that the storeowner conspired with the store employees and that the cash was used in thousands of illegal exchanges. Sentencing is pending.
- An investigation resulted in a storeowner being convicted of wire fraud and money laundering for his role in defrauding the Food Stamp Program (FSP) of more than \$1.1 million. The individual, whose store was authorized to participate in the program for a 32-month period, conducted the majority of the illegal transactions between midnight and 2 a.m. On 1 occasion, the storeowner processed 220 food stamp transactions in succession with as little as 26 seconds between sales. Sentencing is pending in this matter.
- The owner of a liquor store participated in a scheme to defraud USDA by illegally purchasing electronic food stamp benefits. The individual redeemed approximately \$1 million in electronic food stamp benefits from October 2000 through October 2002, despite the store's reported annual food sales of \$139,300. The investigation disclosed that the owner purchased food stamp benefits after a store employee verified that customers were from the neighborhood. The storeowner and his corporation pled guilty to food stamp fraud and were sentenced to 24 months of probation with the first 12 months to be served in home confinement. Furthermore, the subject and corporation were ordered to pay \$485,250 restitution each.



This store in Chicago was used for food stamp trafficking. OIG photo.

Store Owner Convicted in \$3.6 Million Food Stamp Fraud Scheme in Philadelphia

The owner and the former owner of a small grocery store in Philadelphia, Pennsylvania, were convicted for conspiring to defraud the FSP of \$3.6 million. The current owner purchased the store for \$4,000 and a Cadillac automobile. Together the former owner and new owner purchased EBT food stamp benefits from recipients for 70 percent of their face value and then redeemed the benefits for full value through the store. To avoid detection, they made bank withdrawals of the cash reimbursement from USDA in amounts under \$10,000. This scheme continued over a 3-year period before it was brought to an end. The current owner was sentenced to 30 months in prison and \$2.4 million in restitution. The previous owner died prior to sentencing.

Scam Artist Sentenced to Prison For Stealing \$1.2 Million From Dozens of Victims

Two individuals in Massachusetts receiving food stamps devised a scheme in which they told victims they desperately needed money and would repay them double once a fiancé of theirs received a multimillion-dollar inheritance. Their scam resulted in 47 persons sending them money in amounts ranging from \$100 to \$710,000, the latter from a cattle rancher in Pennsylvania. The two individuals also fraudulently received \$15,000 in food stamp benefits. One was sentenced to 16 months in jail and ordered to pay \$1.2 million in restitution to the victims. Sentencing is pending for the other.

Disparate Application of MILC Production Caps Led to Payment Inequities

When domestic milk prices fall below a specified level, the Milk Income Loss Contract Program (MILC) pays producers on eligible dairy operations, based on their quantity of production. There is no MILC payment limitation, but there is a yearly production cap of 2.4 million pounds of milk per dairy operation for payments. A producer may operate either a single dairy operation or multiple operations, each with a separate production cap. Farm Service Agency (FSA) officials informed us that their study of the predecessor Dairy Market Loss Assistance Program (DMLA) had shown differences in the definitions of a “dairy operation” used by various State offices to determine whether producers operated single or multiple dairy operations. FSA had attempted to refine the definition of a “dairy operation”; however, the Office of the General Counsel (OGC) advised FSA that the MILC legislation prohibited FSA from applying to MILC different standards than those that were used under DMLA.

Our review of MILC contracts in four States disclosed that producers with similar operations located in different States received disparate program payments, e.g., a MILC producer in Pennsylvania received \$54,569 as a single dairy operation, but the same producer in California would have received \$110,679 as two dairy operations. For three producers in two States, payment disparities totaled almost \$250,000. Although MILC is set to expire in September 2005, legislation has been proposed to extend the program until 2007 when Congress plans to consider the next Farm Bill. FSA officials agreed with us that language should be submitted for inclusion in the proposed legislation that would ensure a consistent, nationwide definition of a “dairy operation” to preclude gross inequities should the program be extended. (Audit Report No. 03601-10-Ch, FSA, Milk Income Loss Contract Program)

RHS Did Not Implement Agreed-Upon Actions for Unauthorized Rental Subsidy Payments

Our 1999 audit of rental assistance made 12 recommendations to the Rural Housing Service (RHS), while identifying \$14.2 million of unauthorized rental subsidy payments. As of April 2004, no recommendations had been implemented. A 2003 audit in Florida found that unauthorized rental subsidy payments (\$4.4 million) were continuing, in part

because the agency had not implemented our recommendations. Subsequently, with the issuance of 7 C.F.R. § 3560 (which requires management companies to take more aggressive actions to ensure that tenant incomes are accurate and complete) on February 24, 2005, RHS believes that all necessary actions on eight recommendations are complete. The agency has not pursued legislation to obtain wage and income information of tenants to ensure that they are eligible for the rental assistance. Apartment managers need this information to verify the accuracy of rental subsidy payments. Further, RHS does not record rental subsidy overpayments as accounts receivable, but places responsibility on the project owner to account for and collect them. Consequently, collection tools are not applied to recover improper payments.

We recommended that RHS implement the 1999 OIG recommendations, and submit a bill to Congress that would provide RHS access to all relevant income data similar to the authority the U.S. Department of Housing and Urban Development has and would allow RHS to share the information with apartment managers. We also recommended RHS require tenants to sign consent forms to release wage and income information to RHS and apartment managers, as a condition of eligibility for rental subsidies. Finally, we recommended that the agency account for rental assistance overpayments and interest credit, and collect and manage them in accordance with Federal requirements. Until new legislation is obtained, we recommended that RHS assist States in obtaining matching agreements with their State agency responsible for collecting wage and benefit information that include authority to provide apartment managers with the income information. RHS agreed with our recommendations and has established 6 months for implementation. (Audit Report No. 04099-339-At, Subsidy Payment Accuracy in Multi-Family Housing Program)

Mississippi Trio Sentenced in \$11.2 Million Fraud

To update a case included in the last semiannual report, sentencing have occurred in the \$11.2 million FSA fraud conspiracy case involving one of Mississippi's largest farmers, his brother, and his accountant. They conspired on a partnership scheme, paid others to participate in the scheme, and tried to persuade them to testify falsely. The farmer was sentenced in November 2004 to serve 60 months in Federal prison, followed by 48 months of supervised release, and was ordered to pay \$11.2 million in restitution. The accountant was

sentenced to 7 months in prison, followed by 36 months of supervised release, and was fined \$20,000. The brother was also sentenced in November to 24 months of probation and fined \$5,000. The guilty plea included criminal forfeiture of 400 acres of land and a house, valued at \$1.5 million, which had been built with proceeds from the scheme.



This is the house that was forfeited to the Government in the Mississippi fraud case. OIG photo.

Texas Crop Insurance Agent and Loss Adjuster Sentenced for Fraud

Two subjects were sentenced in a case we previously highlighted in the semiannual report for the first half of FY 2004. As previously reported, the owner of a crop insurance agency, who also was a producer, was found guilty in February 2004 of making false statements and claims on his 1999 wheat, cotton, and grain sorghum insurance policies and indemnity claims. In October 2004, he was sentenced to 41 months in prison, followed by 36 months of supervised release, and was ordered to pay \$448,000 to the Risk Management Agency (RMA) and a special assessment of \$2,500. He was ordered not to directly or indirectly engage in the sale of crop insurance and was excluded from all USDA programs. In November 2004, the crop loss adjuster, who conspired with the producer, was sentenced on an earlier guilty plea to one count of conspiracy to make false claims to USDA. He was sentenced to 24 months of probation, including 6 months of home confinement, and was ordered to make restitution jointly and severally with the producer in the amount of \$447,230, as well as pay a special assessment of \$100.

Iowa Family Pleads Guilty to \$3.26 Million Fraud

In Iowa, a couple and their son were charged in a 25-count indictment with conspiracy to defraud USDA, conspiracy to commit bankruptcy fraud, conversion, and numerous counts of false statements. The investigation determined that, in 1997, the married couple made false statements to a local lending institution and fraudulently received a loan of \$1.6 million. From 1998 through 2003, all three individuals made false statements to USDA that enabled them to fraudulently receive \$746,700 in program payments from FSA and \$912,364 from RMA. The couple hid assets from the U.S. Bankruptcy Court by transferring the items to their son. In January 2005, the husband pled guilty to four counts of conspiracy, the wife pled guilty to conspiracy to make false statements, and the son pled guilty to two counts of false certifications. Sentencing is pending.

Three Sentenced in Iowa Farm Fraud

An Iowa farmer directed two individuals to provide false statements to FSA and RMA for the purpose of evading farm program payment limitations. They received \$247,278 from FSA and RMA to which they were not entitled. As a result of the investigation, the two individuals entered into pretrial diversion agreements in which they agreed to pay a consent judgment of \$41,000 and restitution of \$79,120. The Iowa farmer pled guilty to a criminal information charging him with making false statements to FSA, making false statements to RMA, and concealing assets from the U.S. Bankruptcy Court. On February 24, 2005, the Iowa farmer was sentenced to 3 months in jail, 3 months of home confinement, and 36 months of supervised release. In addition, he was ordered to pay a total of \$378,878 in restitution (\$131,000 to FSA, \$116,000 to RMA, and the remainder to the bank). He was also debarred for life from all USDA programs.

Producer Ordered To Pay \$384,000 in Restitution

A producer in upstate New York was granted several loans from the Commodity Credit Corporation (CCC) to plant crops. He failed to repay the CCC loans with the proceeds from the sale of those crops. In an effort to avoid liability, he filed for bankruptcy, in a scheme similar to one that he had used in the 1980s to defraud USDA of \$410,000. He was convicted of the current loan fraud and ordered to pay \$384,000 in restitution, and was ordered to spend 52 weekends in prison due to

his medical condition. The U.S. Attorney's office is pursuing civil action to recover additional funds from the producer.

Texas Produce Broker Sentenced for Interstate Transportation of Stolen Property

We reported last semiannual period that a produce broker in Dallas, Texas, had pled guilty to defrauding the produce industry of over \$1 million in perishable produce. The subject admitted to entering into a scheme to purchase perishable produce from one company using an established unsecured line of credit with the companies in question with no intent to pay, and then immediately selling it to another company for a significantly lower price. He was sentenced in October 2004 to 71 months of imprisonment and 36 months of supervised release, and was ordered to pay restitution of \$1,654,975 for defrauding 30 produce and freight companies in Canada and the United States.

Montana Lawmen Sentenced to Prison for Defrauding FSA

Sentencing took place in November 2004 in another case from the last semiannual report, involving a Montana sheriff and his deputy who had pled guilty to conspiracy to defraud FSA. The sheriff was sentenced to 6 months in Federal prison and was ordered to pay \$16,666 in restitution to FSA. The deputy received 36 months of probation and was ordered to pay restitution of \$5,141 to FSA. The individuals were fired from their jobs. Both law enforcement officers submitted false feed receipts to FSA in order to fraudulently obtain payments under the American Indian Livestock Feed Program.

Wisconsin Farmer Sentenced to Jail for Making False Statements on Collateral

A Wisconsin farmer was convicted of making false statements to FSA when he applied for and received a \$110,000 farm-operating loan. As collateral to secure the loan, the farmer provided FSA with a list of equipment that he claimed to own. The equipment actually belonged to the farmer's father and was pledged as security without the father's knowledge or consent. The farmer was sentenced in February 2005 to serve 21 months in prison and ordered to pay more than \$71,000 in restitution.

MANAGEMENT CHALLENGES ADDRESSED UNDER GOAL 2

- Risk Must Be Examined and Improper Payments Minimized Within USDA
- Integrity of the Federal Crop Insurance Programs Must Be Strengthened Through Improved Quality Control Systems and IT Processing
- Agencies Need To Better Coordinate Program Delivery and Control – *New Challenge*
- Improvements and Safeguards Needed for the Rural Multi-Family Housing Program – *Agency-Specific Challenge*

ONGOING AND PLANNED REVIEWS FOR GOAL 2

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

- continued monitoring of EBT implementation (Food and Nutrition Service (FNS)),
- State agency corrective action plans to reduce FSP improper payments (FNS),
- the Summer Food Service Program (FNS),
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) administrative costs (FNS),
- WIC Program accountability (FNS),
- reauthorization of FSP retailers (FNS),
- the Farm Programs Fraud Indicator Study,
- FSA's implementation of the Tobacco Transition Payment (Tobacco Buyout) Program,
- implementation of emergency relief programs for 2004 hurricanes in Florida (FSA/RMA),
- FSA's implementation of the Cattle Feed Program (nonfat dry milk),
- FSA's implementation of the Emergency Feed and Livestock Compensation Program,
- programmatic treatment of crop base on land included in conservation easements (FSA/ Natural Resources Conservation Service (NRCS)),
- FSA's administration of the prohibitions of farm loans for borrowers that have received debt forgiveness,
- Direct and Countercyclical Program payment yields (FSA),
- review to evaluate and validate the zero acreage data for insured crops (RMA/FSA),
- Rural Utilities Service (RUS) Broadband Loan and Grant Programs,
- RHS Single Family Housing (SFH) Guaranteed Loan Program,
- RHS Rural Rental Housing (RRH) Loan prepayment and restrictive use agreements,
- Rural Business-Cooperative Service (RBS) implementation of the Consolidated Farm and Rural Development Act, and
- RBS' implementation of the Value-Added Agricultural Product Market Development Grant Program.

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

Management of Public Resources

OIG Strategic Goal 3: Increase the efficiency and effectiveness with which USDA manages and employs public assets and resources, including physical and information resources

OIG conducted audits and investigations that focused on improved financial management and accountability, information technology (IT) security and management, protection of public assets, employee corruption, natural resources, research, and the Government Performance and Results Act (GPRA).

In first half of FY 2005, 31.3 percent of our total audit and investigative resources were devoted to Goal 3, with 96.7 percent of these resources assigned to critical/high-impact work. A total of 94.9 percent of our audit recommendations under Goal 3 resulted in management decision within 1 year, and 73 percent of our investigative cases had criminal, civil, or administrative action taken in response to OIG reports. OIG issued 26 audit reports under Goal 3 during the reporting period. OIG investigations under Goal 3 yielded 13 indictments, 14 convictions, and about \$2.6 million in monetary results during the reporting period.

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 3

USDA FY 2004/2003 Consolidated Financial Statements – Unqualified Opinion

Improvements Still Needed in Financial Management Systems and Quality Control

The Department and the standalone agencies required to prepare their own financial statements received, for the third consecutive year, unqualified opinions. Significant challenges were encountered, however, in FY 2004 in order for the statements to be issued in accordance with the accelerated timeframes. Although we rendered an unqualified opinion on the FYs 2003/2004 financial statements, the FY 2003 statements had to be restated to correct errors, which increased the ending balance of Unexpended Appropriations by over \$5 billion and decreased the ending balance of Cumulative Results by over \$5 billion. Specific errors included:

- The FS corrected about \$383 million for alignment of budgetary and proprietary account relationships and posting errors; unsupported balances in various suspense and deposit clearing funds; Fund Balance with Treasury and associated custodial liability; and certain revenue transactions;
- The Food and Nutrition Service (FNS), NRCS, and APHIS corrected about \$4.7 billion, \$478 million, and \$311 million, respectively, for improper recognition of appropriations used;
- The Federal Crop Insurance Corporation (FCIC) corrected about \$1.17 billion for obligations and obligated balances carried forward from FY 2002. In addition, FCIC changed its accounting policy for funds held in escrow for crop insurance losses;
- CCC corrected about \$188 million in amounts for intragovernmental costs previously recorded as costs with the public; and
- The Department corrected about \$176 million of Non-USDA disbursements recorded on its FY 2003 Statement of Budgetary Resources.

The Office of the Chief Financial Officer (OCFO) has immediate and long-term plans to address most of the weaknesses in its financial management systems, and

USDA recently implemented a Department-wide property system. The key audit recommendations focused on additional improvements in financial management and enhancing the reporting and tracking of weaknesses within financial management and IT. OCFO generally agreed with the findings and recommendations. (Audit Report No. 50410-53-FM, FY 2004 USDA Consolidated Financial Statements)

Improvements Still Needed in FSA/CCC Financial Systems

FSA/CCC received an unqualified opinion. However, despite some improvements, material internal control weaknesses were found in information security and planning contingency controls, financial system functionality, monitoring and controlling budgetary resources at the transaction level, and procedures over the budget execution process. Instances of noncompliance with the Federal Information Security Management Act of 2002 (FISMA), the Debt Collection Improvement Act of 1996 (DCIA), and the Federal Financial Management Improvement Act of 1996 (FFMIA) included issues relating to the information security program, timeliness in forwarding debts to Treasury for cross-servicing or the offset program, and financial management systems, respectively. The independent contract auditors recommended that CCC improve its controls related to information security and establish policies and procedures to ensure that unliquidated obligations are evaluated and maintained monthly for each program. FSA/CCC continues to take corrective actions on prior financial statement audits, but has not yet responded in detail to all the recommendations in the current audit. (Audit Report No. 06401-17-FM, CCC's Financial Statements for FYs 2004 and 2003)

Improvements Needed in RD's IT, Credit Reform, and Unliquidated Obligations

Rural Development (RD) again received an unqualified opinion on its financial statements. However, our report on RD's internal control structure discusses two material weaknesses: ineffective oversight and management of its IT resources, and credit reform deficiencies resulting in errors in excess of \$250 million. One reportable condition was also identified concerning the insufficient review and certification of rural electric and telephone unliquidated obligations. In our report on compliance, we noted that RD's Rural Utilities Service legacy

systems were not certified and accredited in compliance with Office of Management and Budget (OMB) Circular A-130 (Management of Federal Information Resources). RD officials generally agreed to expand and improve the credit reform checklist, ensure model changes are thoroughly evaluated, implement a tracking mechanism over RD's financial statement package, and obtain certification of all rural electric and telephone unliquidated obligations in accordance with Treasury and departmental guidance. However, they did not believe the credit reform finding constituted a material weakness. In our opinion, though, the system of controls should have detected the resultant errors that OIG found (\$250 million). Accordingly, in our view, the weakness is material. (Audit Report No. 85401-11-FM, RD's Financial Statements for FYs 2004 and 2003)

RMA/FCIC Controls Over IT and Financial Statement Preparation Lacking

RMA/FCIC again received an unqualified opinion on its financial statements. However, material weaknesses were found in controls over access to information systems, application program and system software changes, and preparation of the statements of budgetary resources and financing. Noncompliance with FFMIA occurred because FCIC's financial management systems did not substantially comply with Federal financial management systems requirements and Federal accounting standards or the United States Government Standard General Ledger at transaction level. FCIC/RMA officials generally concurred with the independent contract auditors' recommendations that FCIC/RMA improve policies and procedures over access to information systems and application program and system software change controls, and obtain training and improve policies and procedures over the preparation of the statements of budgetary resources and financing. They also generally agreed to study the feasibility of making revisions to the actuarial loss estimation model, and implement and improve policies and procedures to ensure that the most current system requirements are used in the FFMIA assessment process and to ensure management's FFMIA decisions are fully documented. (Audit Report No. 05401-13-FM, FCIC/RMA's Financial Statements for FYs 2004 and 2003)

RTB Again Receives an Unqualified Opinion on Its Financial Statements

RTB again received an unqualified opinion on its financial statements from the independent contract auditors. However, a material internal control weakness was found in the application of OMB Circular A-130 requirements to its legacy loan system. The compliance report discusses that RTB's financial management system was not in substantial compliance with applicable Federal financial management system requirements set forth in FFMIA. (Audit Report No. 15401-05-FM, RTB's Financial Statements for FYs 2004 and 2003)

USDA Agencies Did Not Adequately Assess Risks for Improper Payments

The Improper Payments Information Act of 2002 (IPIA) requires that Federal agencies annually identify all programs and activities susceptible to significant improper payments. OCFO instructed all USDA agencies to assess risk for programs with outlays over \$10 million. If the programs were found to be highly susceptible to improper payments (defined by OMB as exceeding both 2.5 percent of program payments and \$10 million), a statistical projection is required; if the projected amount of improper payments exceeds \$10 million, mitigation plans are required. The 6 agencies we reviewed reported 90 programs with outlays totaling \$47.3 billion that fulfilled the risk assessment criteria. However, we found that the risk assessments were not adequate to estimate susceptibility because OCFO's guidance was not sufficiently prescriptive and detailed. OCFO concurred with the recommendations to strengthen guidance and monitor the agencies' implementation of the guidance, and proceeded to issue strengthened guidance and outline the Department's goals for each quarter of FY 2005. A breakout of key agencies follows.

- **NRCS:** NRCS was not in a position to rate the susceptibility of its programs, complete the remainder of the requirements provided by OMB and OCFO, or meet the requirements of IPIA. NRCS reported to OCFO that none of its seven major program categories, totaling over \$2.3 billion and ranging from \$14 million to over \$1 billion, were subject to significant risk of erroneous payments, despite not having established any process or written procedures to conduct risk assessments. Notwithstanding OCFO and OMB guidance, NRCS had not taken sufficient

steps to implement the IPIA and lacked applicable controls. NRCS officials informed us that they had misinterpreted the guidance regarding what they needed to do.

- **Cooperative State Research, Education, and Extension Service (CSREES):** CSREES did not perform the required risk assessments even though it identified 15 programs in which outlays exceeded the OCFO \$10 million threshold. CSREES' process was limited to a mathematical calculation in which program outlays were multiplied by 2.5 percent. If the program was less than \$10 million, CSREES officials concluded that the individual risk assessments were not required, and thus they did not conduct the individual risk assessments in accordance with OMB and OCFO criteria and guidance. CSREES concurred with the OIG recommendation to complete individual risk assessments in accordance with OMB and OCFO criteria and guidance. The FY 2005 risk assessments were to have been completed by April 30, 2005.
- **FSA:** FSA generally complied with the OCFO guidance, but the process could have been improved. FSA had not always identified risk indicators unique to each program, for example, and had not considered prior audit reports or reviews. FSA was required to assess 35 of its programs with outlays of \$35.8 billion, of which we reviewed 19 with outlays of about \$18 billion. We found that the 19 analyses were not complete, yet FSA had listed them to be at low risk for improper payments.

All the agencies agreed to conduct more thorough risk assessments of required programs in conformity with OCFO's revised guidance. This will enable the agencies to develop an estimated error rate by developing criteria unique to their operations to identify program vulnerabilities, determine acceptable risk levels, rank the risk factors, and establish controls to ensure their timely and accurate completion. (Audit Report No. 50601-8-Ch, Compliance with Improper Payments Reporting Requirements)

AMS Needs To Monitor for Collusive Bidding in Procurement Purchases

We found that AMS personnel performed little detailed analysis of commodity procurement bids to identify potential antitrust activities, such as collusive bidding,

among vendors. We also found AMS does not use any automated software mechanism to evaluate historical vendor bid data by commodities for patterns of potential antitrust violations. Although it uses a database to analyze bidding and award data, AMS does not perform the in-depth trend analysis of historical data necessary to identify indications of collusive bidding activities. In addition, since 1999 AMS has not provided training for identifying collusive bidding activities to its contracting officers.

Because AMS and FSA use the same automated computer systems for conducting commodity procurements, we believe that both agencies would benefit by coordinating to share a like system to track and analyze bids for potential antitrust activity. In response to our recommendation, AMS has been in contact with FSA regarding such a possibility. AMS has set up a Collusion Detection Team, which is responsible for researching new software alternatives, and AMS will monitor their progress and consider implementing any recommendations that would be beneficial to AMS. AMS also agreed to strengthen its internal procedures for reviewing, analyzing, and reporting commodity bids for indications of collusion. AMS has scheduled anti-trust training to be conducted by the U.S. Department of Justice. All three programs (Livestock and Seed, Poultry, and Fruit and Vegetable) will be participating, for a total of approximately 30 people. (Audit Report No. 01601-1-KC, AMS Contract and Competitive Bidding Practices)

More IT Security Improvements Needed for Effective Department-wide Security

The Department and its agencies undertook substantial efforts during the year toward completion of the certification and accreditation of their systems. However, persistent weaknesses in the Department's security program can be attributed to management's lack of commitment to implementing an effective security program within their respective agencies. Issues include the unreliable inventory of applications and general support systems, incomplete compliance with OMB and other Federal requirements, untimely certification of applications, untimely identification and correction of vulnerabilities, weaknesses in physical and logical access controls, and needed improvement in Office of the Chief Information Officer (OCIO) oversight of security incidents. We recommended that OCIO establish guidance to identify systems within the

Department and its agencies and implement a formal tracking system to ensure the timely followup, resolution, and reporting of cybersecurity incidents. OCIO generally concurred and acknowledged that security weaknesses persist, but stated that action plans are being developed to eliminate them. OIG recognizes that achievements were made during the last month of FY 2004 and that OCIO and the agencies have plans to continue their efforts in improving the Department's IT Security position. (Audit Report No. 50501-01-FM, Federal Information Security Management Act-Fiscal Year 2004)

Stronger Controls Needed Over Inspection Data in PBIS System

Our review found that FSIS had not implemented adequate controls to ensure the integrity of inspection data maintained in its Performance Based Inspection Service (PBIS) system. FSIS had not established effective physical or logical controls over access to the PBIS data, had not consistently entered data into the PBIS system, allowed changes to occur in PBIS without authorization and validation, had not established tracking or logging in the system in the event that the original data need to be recovered, and had not used complete or up-to-date PBIS data to prepare management reports and conduct trend analysis. In addition, FSIS management was not vigilant in ensuring proper security throughout its network.

We recommended that FSIS establish proper access control policies; ensure that data entered into PBIS are allowable and reliable; limit, justify, and log changes; ensure that all security settings accord with departmental guidance; and promptly correct network vulnerabilities. FSIS generally concurred but stated that data contained in PBIS are not the agency's sole mechanism for enforcing its regulatory authority. However, we contend that it is critical to planning, implementing, and documenting inspection activities and that FSIS should continue to improve its timeliness and accuracy. This will enhance FSIS' ability to schedule inspections activities based on the most comprehensive and updated information. (Audit Report No. 24501-1-FM, FY 2004 – Application Control Review of FSIS' Performance Based Inspection Service System)

NFC Takes Significant Corrective Actions, but More Improvement Needed

In FY 2003, the National Finance Center (NFC) processed more than \$66.9 billion in disbursements and collections for USDA and its other customers; clearly, information security is of paramount significance. While NFC had taken significant corrective actions during the fiscal year, we rendered a qualified opinion on the internal control structure because certain control policies and procedures over critical areas were not suitably designed and/or operating effectively at the time of our review. NFC needed to

- update its directive and functional statements to clearly define security responsibilities and complete required background investigations for individuals in high-risk positions,
- tighten access of personnel and clients to critical payroll and personnel applications and adequately protect certain sensitive client information from unauthorized disclosure,
- better track and secure modems on its network, maintain its firewall configurations, and review logs on servers, and
- strengthen controls over application changes.

We made a series of recommendations that comprehensively addressed those shortcomings. NFC concurred and responded with significant actions before the final report was issued to correct identified weaknesses (Audit Report No.11401-20-FM, FY 2004 – Review of the National Finance Center General Controls)

Former Legislative Assistant Convicted of Fraud

A former legislative assistant to a U.S. Congressman from Michigan was convicted on nine counts of fraud for stealing approximately \$40,000 in USDA and bank funds through his operation of a national farmers organization. The monies, part of a \$65,000 donation by four USDA program agencies and a bank, were provided to offset expenses associated with a 3-day symposium in New Orleans during May 1999, sponsored by the organization. The investigation with the FBI determined that the subject never paid vendors for services worth approximately \$150,000. Instead, the

individual withdrew approximately \$40,000 in cash, which he used for personal expenses. Sentencing was scheduled for April 2005.

NRCS Employee Guilty of Government Credit Card Abuse

An NRCS public affairs specialist in New York pled guilty to misusing her Government-issued credit card over a 7-month period when she made unauthorized purchases totaling more than \$16,000. The employee kept receipts of legitimate purchases and threw out receipts for the unauthorized purchases in an effort to hide her actions. She has resigned from NRCS and is awaiting sentencing.

FSIS Food Inspector Filed False Attendance Reports

An FSIS food inspector in Pennsylvania filed false time and attendance reports to receive more than \$42,000 in unentitled pay. During a 16-month period, the inspector submitted 51 false attendance reports, representing 2,686 hours she did not work. Sentencing is pending.

Critical Water and Climate Information System Needs To Be Made More Secure

The Water and Climate Information System (WCIS) is a critical application system that collects vital climatic data in the Western United States to measure snowpack in the mountains and to forecast the water supply. Our audit found that NRCS had not developed sufficient management controls to communicate Federal and departmental security requirements for WCIS data to its field units, and had not developed an oversight system to ensure timely compliance with security requirements. We found that the WCIS contingency plans, computer security plans, and risk assessments did not comply with established guidelines. In addition, failure to perform periodic vulnerability scans that would disclose high- and medium-risk vulnerabilities exposed WCIS to potential unauthorized access.

We recommended that NRCS establish controls to ensure that all of its field units meet Federal and departmental security requirements, especially for vulnerability scans, disaster recovery plans, security plans, and risk assessments. NRCS has taken immediate action to address system vulnerabilities and access controls, and plans to run monthly vulnerability

scans and update its security manual. (Audit Report No. 10501-1-SF, Fiscal Year 2004 – Review of Application Controls over the NRCS Water and Climate Information System)

Application Controls Over ITS Were Inadequate

APHIS had not prescribed controls to ensure that data were accurately and timely input into the Import Tracking System (ITS), leading to erroneous data that undermined its usefulness. Errors included the incorrect number of animals entering the country, incorrect purpose codes for animals entering the country, and no destination locations for animals. APHIS had no policy for the frequency of transmitting data into the ITS and did not monitor port office transmission activities, so the ITS lacked current information because some offices were not updating regularly. APHIS also needed to improve system access controls. We recommended that APHIS establish manual and automated application controls, develop and implement minimum frequency requirements for transmitting data to the system, monitor port office data transmission activities, and strengthen access controls. APHIS generally concurred and plans to implement corrective measures and application controls. (Audit No. 33501-01-Ch, Fiscal Year 2004 – Review of Applications Controls for the Import Tracking System)

AMS Needs To Improve Application and Management Controls for LMPRS

AMS implemented the Livestock Mandatory Price Reporting System (LMPRS) in April 2001 in response to the Livestock Mandatory Reporting Act of 1999. LMPRS collects information about livestock pricing, contracting arrangements, and supply and demand conditions and summarizes it in national reports, publicly available on the AMS Web site. Our review disclosed that, overall, AMS had authorization, completeness, and accuracy controls for LMPRS data; however, AMS needed improved LMPRS application controls over access privileges, technical documentation, mandatory report modifications, supervisory reviews, and application monitoring. AMS also lacked adequate management controls to ensure the implementation of Federal and departmental IT guidelines.

We recommended that AMS establish and implement stronger controls over access privileges, report

modifications, supervisory reviews, technical documentation, and application monitoring. In addition, we recommended that AMS establish and implement management controls to ensure that Federal and departmental guidance is followed regarding security concerns, performance goals, application certification, and scans. AMS agreed to improve application and management controls to ensure that data entered into LMPRS are properly authorized and completely and accurately processed. (Audit Report No. 01099-4-Te, FY 2004 – AMS Livestock Mandatory Price Reporting System – Application Controls)

RMA Needs To Improve Crop Insurance Premium Ratemaking Process

We evaluated the Risk Management Agency's (RMA) policies and procedures for cotton crop insurance premium rates, and looked at historical losses for cotton and other major crops that use the actual production history automated ratemaking process. From 1975 to 2003, cotton and wheat premiums have not been sufficient to cover indemnities, resulting in net program losses totaling over \$1.2 billion and \$1.6 billion, respectively. Corn, however, has netted a surplus of \$1.4 billion.

To address the significant losses and inequities, RMA should improve its quality control over the ratemaking process. We recommended that RMA: (1) review ratemaking decisions for the past 5 years for corn, cotton, wheat, and soybeans, and implement any changes needed, (2) review the disaster reserve factor and document support for the value; and (3) establish formal written policy and procedures for the crop insurance ratemaking process, ensuring that the procedures incorporate critical control points and supervisory oversight in the process, and require supporting documentation for periodic review of established rates, ratemaking formula factors, and management decisions.

RMA responded that it would perform an analysis where the historical net indemnities are adjusted to reflect the current level of premium rates to provide a more accurate indication of the current state of the crop insurance program. The agency also plans to contract with an actuarial firm to review, update, and document the disaster reserve factor. Finally, the agency will formally develop and document its procedures for the ratemaking process. (Audit Report No. 05601-7-At, Cotton Premium Rates)

RMA Needed To Strengthen the Crop Insurance Program as Part of the Renegotiation of Standard Reinsurance Agreements

We identified and assessed critical issues for RMA to consider to strengthen the crop insurance program during the Standard Reinsurance Agreement (SRA) renegotiation with the private insurance companies. We also analyzed internal control weaknesses and the model results used by RMA and assessed their potential impact on the crop insurance program. We provided RMA officials with a series of memoranda and held multiple discussions. After a 6-month process and before the July 1, 2004, deadline, RMA successfully completed the renegotiation and received signed SRAs from all 14 reinsured companies that participated in the 2004 reinsurance year. However, much remains to incorporate and implement policies and procedures for the 2005 reinsurance year.

We recommended that RMA develop a detailed strategy to implement key provisions in the 2005 SRA that describes RMA timeframes for each key implementation area, including codification of the quality control provisions into Federal regulations, as well as other enhancements and financial management controls. RMA had taken significant actions by establishing a formal workgroup on implementation issues, holding internal strategy meetings, and conducting meetings with insurance industry officials on the new SRA provisions and requirements. RMA also plans to address large-claim reviews, Plan of Operations reviews, conflict-of-interest guidance, company contingency plans, and codification of the quality control provisions. (Audit Report No. 05099-109-KC, RMA Activities to Renegotiate the Standard Reinsurance Agreement)

FS Implementation of GPRA Still Lacking

Following up on our FY 2000 audit, we determined that the FS had not made significant progress toward effectively implementing the requirements of the Government Performance and Results Act (GPRA) in its operations. Many of the problems reported in our FY 2000 audit, as well as in a series of seven U.S. Government Accountability Office (GAO) reports dating back over 12 years, persisted. The FS has made some improvements in its planning processes but has not effectively implemented these improvements. Consequently, the FS cannot ensure that the

accomplishment information it provides to Congress and other interested parties is consistent, valid, and supported, rendering it largely ineffective in managing FS operations.

The FS' goals and performance measures were often vague, open to varied interpretation, and not timely distributed to the field for implementation. The standards defining performance varied between regions and forests and even among the districts within a forest. Also, the FS' Performance and Accountability Report was based on inaccurate, inconsistent, and unverified data, and thus unreliable for making sound decisions. The FS continues to lack an effective internal control system to ensure data quality even though this problem has been repeatedly reported since the early 1990s. Nonetheless, in its FY 2003 Performance and Accountability Report the FS discontinued reporting its problems on the lack of effective internal controls as required under the Federal Managers' Financial Integrity Act (FMFIA).

Our recommendations addressed each issue, including that FS line officers be held personally accountable for the effective implementation of GPRA. The FS concurred and has committed to implement corrective actions, which we will continue to monitor. (Audit Report No. 08601-1-Hy, Forest Service Implementation of the Government Performance and Results Act)

Federal Research Misconduct Policy at USDA Needs Improvement

Our audit determined that despite a Federal mandate to implement a research misconduct policy in 2001, the Department did not do so and did not coordinate an oversight process to consistently and effectively apply such a policy. As prescribed by the Executive Office of the President, Office of Science and Technology Policy (OSTP), such a policy should include a definition of misconduct and the elements of a finding, instructions for handling allegations and adjudication, safeguards for informants and subjects of allegations, and possible administrative actions. We recommended that the Department develop and implement a Department-wide, OSTP-compliant research misconduct policy. We also recommend that the Department-wide research misconduct policy include specific instructions applicable to USDA-funded research and proposals submitted for research funding. The Department generally concurred and agreed that a centralized

oversight body for research misconduct within the Department would be established in the Office of the Undersecretary for Research, Education, and Economics and be accountable for coordinating research misconduct policies and procedures. (Audit Report No. 50099-11-Hy, Implementation of Research Misconduct Policy within Departmental Agencies)

Confusion, Program Issues Disclosed in Environmental Quality Incentives Program (EQIP)

NRCS' EQIP was reauthorized in the Farm Security and Rural Investment Act of 2002 (Farm Bill) to provide a voluntary conservation program for farmers and ranchers. We found that the procedural changes made to the program as a result of the Farm Bill were implemented through a series of memoranda and bulletins issued by the NRCS National Office. Because draft copies were furnished before the first changes to the Conservation Programs Manual were made formally in May 2004, NRCS State and field office personnel were confused about implementing the draft manual provisions. Several program issues also warranted attention, including the review and oversight of locally developed ranking systems, adequacy of points awarded for "structural" versus "management" practices when ranking EQIP applications to prioritize funding, the status review process regarding producer certifications, beginning farmer and limited-resource producer designations, and controls over reimbursements made when the producers actually install the conservation practice.

Effective October 1, 2004, NRCS assumed total responsibility in providing financial and technical assistance for EQIP, formerly shared with FSA. Consequently, NRCS revised the Conservation Program Manual in October 2004. We plan to reassess the program after NRCS has had adequate opportunity to assume its new financial and technical assistance duties and to implement the latest EQIP handbook. (Audit Report No. 10099-18-KC, Environmental Quality Incentives Program)

NRCS Provides Questionable Assurance of Management Controls

In preparing its annual statement of assurance reports (i.e., FMFIA reports to the Department) for FYs 2002 and 2003, NRCS relied on general statements by agency officials that no material weaknesses had been identified. These statements did not acknowledge the suspension of some of the agency's internal controls or provide a rationale for the assurance. For these years, NRCS discontinued the controls it had implemented several years earlier when OIG audits reported an ongoing embezzlement, but it did not communicate to managers the effect of the discontinuance. The preponderance of program reviews and the absence of financial reviews resulted in an incomplete assessment of the agency's control structure and an incomplete portrayal of that structure to agency officials. Consequently, agency leadership based their judgments about controls (and, in turn, the agency's stewardship of its resources) on assurances from their staff that no control weaknesses rose to the level of materiality. NRCS agreed, and has already begun, to implement a formal process to document its internal management controls for preparation of its annual statement of assurance in the FMFIA report. (Audit Report No. 10099-4-Te, Survey of Controls Over Centers and Institutes)

FY 2004 MANAGEMENT CHALLENGES ADDRESSED UNDER GOAL 3

- Financial Management – Improvements Made but Additional Actions Still Needed
- IT Security – Much Accomplished, More Needed
- Civil Rights Complaints Processing Still a Concern at USDA
- Research Misconduct Policy Not Consistently Implemented
- A Strong Internal Control Structure Is Paramount to the Delivery of FS Programs – *Agency-Specific Challenge*

ONGOING AND PLANNED REVIEWS FOR GOAL 3

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

- annual audits of the Department and standalone agencies' financial statements for FYs 2005 and 2006 (OCFO),
- FSA's implementation of finality rule and equitable relief provisions as they relate to identifying improper payments,
- followup on recommendations made on FS' maintenance backlog,
- OCFO FYs 2004 and 2005 agreed-upon procedures: retirement, health, and life insurance and headcount,
- OCFO controls over final action on audit recommendations,
- FYs 2004 and 2005 NFC IT controls,
- FNS application control review of the Store Tracking and Redemption Subsystem,
- FISMA – FY 2005 (OCIO),
- security over IT convergence (OCIO),
- application controls over the processed commodity inventory management system (OCIO),
- review of public key infrastructure at OCFO/ NFC,
- review of the change controls over USDA applications maintained by OCFO/controller operations,
- coordination and effectiveness of FSA internal and compliance reviews,
- effectiveness of RMA's data acceptance system,
- effectiveness of RMA's compliance activities and oversight in preventing fraud and abuse,
- a review of RMA's management controls over insurance pool placement,
- an evaluation of RMA controls over the use of optional units,
- FS Capital Improvement Program,
- Healthy Forests Initiative (FS),
- FS internal controls,
- FS' implementation of GPRA,
- large-fire suppression costs (FS),
- FS efforts to eliminate invasive species,
- FS emergency equipment rental agreements,
- National Fire Plan firefighting contract crews (FS),
- FS collaborative ventures and partnerships with non-Federal entities,
- Wetland Reserve Program compensation for easements (NRCS),
- controls over vehicle maintenance costs (NRCS),
- followup review of the Grain Inspection, Packers and Stockyards Administration (GIPSA),
- minority participation in FSA's farm loan programs, and
- followup on the recommendations made to Civil Rights for program and employment complaints.

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

Gauging the Impact of the OIG

PROGRESS AGAINST THE OIG STRATEGIC PLAN

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

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

OIG work in each of these areas was categorized by importance, and the percentages of work in the critical and high impact categories were tracked, as were the percentages of audits and investigations that achieved results. An integral part of this program was the identification of USDA programs and operations that were particularly vulnerable and posed significant risks, or what we refer to as “management challenges.”

We are reporting OIG’s audit and investigative accomplishments for first half of FY 2005 against our three strategic business goals. OIG’s overall performance results totals are introduced below in chart form, and followed in the main text by the three sections that include statistical results, summaries of significant investigative and audit accomplishments, management challenges, and ongoing and planned audit work. These percentages are based upon a total of direct audit and investigation work hours and do not include overhead or administrative hours.

PERFORMANCE RESULTS TOTALS UNDER OUR STRATEGIC GOALS

Performance Measures	FY 2004 Baseline	FY 2005 Target	FY 2005 1 st Half Actual
Audit/Investigative resources dedicated to critical/high impact work	81%	90%	94.1%
Audit recommendations resulting in management decision within 1 year	78%	85%	92.2%
Investigative cases where criminal, civil, or administrative action is taken in response to OIG reports	61.6%	65%	69%

IMPACT OF OIG AUDIT AND INVESTIGATIVE WORK ON DEPARTMENT PROGRAMS

A second way we gauge our impact is by tracking the outcomes of our audits and investigations. Many of these measures were first codified in the Inspector General Act of 1978, as subsequently amended. The IG Act measures focus on the number of monetary audit recommendations issued and the agencies’ agreements to act on those recommendations (the management decision process). We have augmented this with information on management decisions on OIG program improvement recommendations.

The following pages present a statistical overview of the OIG’s accomplishments this period.

- In addition to the audit measures discussed above, we have included information on specific audit recommendations on which management has not yet reached a decision.
- For investigations, we summarize such key matters as indictments, convictions, arrests, administrative sanctions, and OIG Hotline complaints. Our monetary results include recoveries, restitutions, and fines that total in the multimillions of dollars. Moreover, the investigative impact on safety, security, and public health, as well as its deterrent factor against future crimes, is invaluable.

Summary of Audit Activities—October 2004-March 2005

Reports Issued		37
Audits Performed by OIG	30	
Evaluations Performed by OIG	0	
Audits Performed Under the Single Audit Act	0	
Audits Performed by Others	7	
 Management Decisions Made		
Number of Reports		40
Number of Recommendations		336
 Total Dollar Impact (Millions) of Management-Decided Reports		\$16.3
Questioned/Unsupported Costs	\$ 7.7 ^{ab}	
Recommended for Recovery	\$5.3	
Not Recommended for Recovery	\$2.4	
Funds To Be Put to Better Use	\$ 8.6	

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

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

Summary of Investigative Activities—October 2004-March 2005

Reports Issued		142
Cases Opened		202
Cases Closed		136
Cases Referred for Prosecution		72
 Impact of Investigations		
Indictments		102
Convictions		117 ^a
Searches		35
Arrests		150
 Total Dollar Impact (Millions)		\$61.8
Recoveries/Collections	\$ 29.7 ^b	
Restitutions	\$ 22.8 ^c	
Fines	\$ 0.5 ^d	
Claims Established	\$ 1.3 ^e	
Cost Avoidance	\$ 7.2 ^f	
Administrative Penalties	\$ 0.3 ^g	
 Administrative Sanctions		414
Employees	24	
Businesses/Persons	390	

^a Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 117 convictions do not necessarily relate to the 102 indictments.

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

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

^d Fines are court-ordered penalties.

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

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

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

**INVENTORY OF AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE
FROM OCTOBER 1, 2004, THROUGH MARCH 31, 2005**

	NUMBER	DOLLAR VALUE
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 2004	7	\$14,022,510
B. WHICH WERE ISSUED DURING THE REPORTING PERIOD	2	\$478,281
TOTALS	9	\$14,500,791
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THE REPORTING PERIOD	4	
(1) DOLLAR VALUE OF DISALLOWED COSTS		\$8,585,036
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$0
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THE REPORTING PERIOD	5	\$5,915,755
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	5	\$5,915,755

**INVENTORY OF AUDIT REPORTS
WITH QUESTIONED COSTS AND LOANS
FROM OCTOBER 1, 2004, THROUGH MARCH 31, 2005**

	NUMBER	DOLLAR VALUES	
		QUESTIONED COSTS AND LOANS	UNSUPPORTED ^a COSTS AND LOANS
A. FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY OCTOBER 1, 2004	32	\$142,748,996	\$96,785,190
B. WHICH WERE ISSUED DURING THIS REPORTING PERIOD	2	\$287,954	\$0
TOTALS	34	\$143,036,950	\$96,785,190
C. FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THIS REPORTING PERIOD	10		
(1) DOLLAR VALUE OF DISALLOWED COSTS			
RECOMMENDED FOR RECOVERY		\$5,308,817	\$0
NOT RECOMMENDED FOR RECOVERY		\$2,368,021	\$0
(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$20,852,888	\$18,563,871
D. FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	24	\$114,890,863	\$78,221,319
REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	24	\$114,831,935	\$78,221,319

^aUnsupported values are included in questioned values.

PROGRAM IMPROVEMENT RECOMMENDATIONS

A significant number of our audit recommendations carry no monetary value per se, but their impact can be immeasurable in terms of safety, security, and public health. They can also contribute considerably toward economy, efficiency, and effectiveness in USDA's programs and operations. During this reporting period, we issued 163 program improvement recommendations, and management agreed to implement a total of 168 program improvement recommendations that were issued this period or earlier. Examples of the program improvement recommendations issued this period include the following. See the main text of this report for a summary of the audits that prompted these program improvement recommendations.

- As part of our efforts to stop bovine spongiform encephalopathy (BSE or "mad cow disease") at the border, APHIS and FSIS agreed to better communicate changes in policy and eligibility of Canadian beef imports, strengthen controls over permits, and better identify ineligible product.
- APHIS officials agreed to resolve border inspection activities issues with U.S. Customs and Border Protection.
- APHIS agreed to help ensure compliance with all controls regarding movement of biological agents and toxins that pose a severe threat to animals and plants.
- After our audit found that the disparate application of MILC production caps led to payment inequities, FSA agreed that language should be submitted for inclusion in proposed legislation to preclude such inequities in the future.
- RHS agreed to implement agreed-upon actions for unauthorized rental subsidy payments within 6 months.
- OCFO agreed to make additional improvements in financial management and enhance the reporting and tracking of weaknesses within financial management and IT.
- OCFO strengthened guidance on improper payments and outlined the Department's goals for each quarter of FY 2005.
- AMS set up a Collusion Detection Team and agreed to strengthen its internal procedures to examine commodity bids for indications of collusion.
- OCIO agreed to implement a formal tracking system to timely follow up on, resolve, and report cybersecurity incidents.
- APHIS agreed to establish application controls for the Import Tracking System, implement minimum frequency requirements for transmitting data to the system, monitor port office data transmission activities, and strengthen access controls.
- USDA agreed to establish a centralized oversight body for research misconduct.

**SUMMARY OF AUDIT REPORTS RELEASED
FROM OCTOBER 1, 2004, THROUGH MARCH 31, 2005**

DURING THE 6-MONTH PERIOD FROM OCTOBER 1, 2004, THROUGH MARCH 31, 2005, THE OFFICE OF INSPECTOR GENERAL ISSUED 37 AUDIT REPORTS, INCLUDING 7 PERFORMED BY OTHERS.

THE FOLLOWING IS A SUMMARY OF THOSE AUDITS BY AGENCY:

AGENCY	AUDITS RELEASED	QUESTIONED COSTS AND LOANS	UNSUPPORTED ^a COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGRICULTURAL MARKETING SERVICE	2			
AGRICULTURAL RESEARCH SERVICE	3			
ANIMAL AND PLANT HEALTH INSPECTION SERVICE	5	\$228,332		\$473,963
COMMODITY CREDIT CORPORATION	1			
COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE	1			
FARM SERVICE AGENCY	2	\$59,622		
FOOD SAFETY AND INSPECTION SERVICE	1			
FOREST SERVICE	2			
MULTIAGENCY	7			\$4,318
NATURAL RESOURCES CONSERVATION SERVICE	4			
OFFICE OF THE CHIEF FINANCIAL OFFICER	2			
RISK MANAGEMENT AGENCY	3			
RURAL DEVELOPMENT	1			
RURAL HOUSING SERVICE	2			
RURAL TELEPHONE BANK	1			
TOTALS	37	\$287,954	\$0	\$478,281
TOTAL COMPLETED:				
SINGLE AGENCY AUDIT	30			
MULTIAGENCY AUDIT	7			
SINGLE AGENCY EVALUATION	0			
MULTIAGENCY EVALUATION	0			
TOTAL RELEASED NATIONWIDE	37			
TOTAL COMPLETED UNDER CONTRACT ^b	7			
TOTAL SINGLE AUDIT ISSUED ^c	0			

^aUnsupported values are included in questioned values

^bIndicates audits performed by others

^cIndicates audits completed as Single Audit

–Continued

**AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
FROM OCTOBER 1, 2004, THROUGH MARCH 31, 2005**

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
AGRICULTURAL MARKETING SERVICE				
010990004TE 2004/12/22	AMS LIVESTOCK MANDATORY PRICE REPORTING SYSTEM – APPLICATION CONTROLS			
016010001KC 2005/01/31	SURVEY OF AMS CONTRACT COMPETITIVE BIDDING PRACTICES			
TOTAL: AGRICULTURAL MARKETING SERVICE		2		
AGRICULTURAL RESEARCH SERVICE				
020170002HQ 2004/10/05	DCAA AUDIT OF SCIENTIFIC RESEARCH AGRICULTURAL INSTITUTE (SRAI) FUNDED BY ARS			
020170003HQ 2004/10/06	DCAA AUDIT OF RUSSIAN RESEARCH INSTITUTE OF PHYTOPATHOLOGY FUNDED BY ARS			
020170004HQ 2004/10/06	DCAA AUDIT OF INSTITUTE OF MICROBIOLOGY AND VIROLOGY (IMV) FUNDED BY ARS			
TOTAL: AGRICULTURAL RESEARCH SERVICE		3		
ANIMAL AND PLANT HEALTH INSPECTION SERVICE				
330990010SF 2005/01/20	EXOTIC NEWCASTLE DISEASE ERADICATION PROJECT – COOPERATIVE/REIMBURSABLE AGREEMENTS	\$228,332		\$473,963
335010001CH 2005/03/31	REVIEW OF APPLICATION CONTROLS FOR THE IMPORT TRACKING SYSTEM			
336010001HY 2005/02/14	APHIS' OVERSIGHT OF BEEF PRODUCTS FROM CANADA			
336010004AT 2005/03/31	REVIEW OF EXPORT LICENSING PROCESS FOR APHIS LISTED AGENTS AND TOXINS			
336010005CH 2005/03/31	TRANSITION AND COORDINATION OF BORDER INSPECTION ACTIVITIES BETWEEN USDA AND DHS			
TOTAL: ANIMAL AND PLANT HEALTH INSPECTION SERVICE		5	\$228,332	\$473,963
COMMODITY CREDIT CORPORATION				
064010017FM 2004/11/05	MONITORING THE AUDIT OF CCC'S FISCAL YEAR 2004 FINANCIAL STATEMENTS			
TOTAL: COMMODITY CREDIT CORPORATION		1		
COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE				
136010002AT 2005/01/07	USDA-CSREES COMPLIANCE WITH IMPROPER PAYMENTS ACT OF 2002			
TOTAL: COOPERATIVE STATE RESEARCH, EDUCATION AND EXTENSION SERVICE		1		

**AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
FROM OCTOBER 1, 2004, THROUGH MARCH 31, 2005**

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
FARM SERVICE AGENCY				
036010010CH 2004/12/21	MILK INCOME LOSS CONTRACT (MILC) PROGRAM	\$59,622		
036010046TE 2005/03/21	AUDIT OF FSA'S COMPLIANCE WITH THE IMPROPER PAYMENTS ACT OF 2002			
TOTAL: FARM SERVICE AGENCY		2	\$59,622	
FOOD SAFETY AND INSPECTION SERVICE				
245010001FM 2004/11/24	APPLICATION CONTROL, REVIEW OF FSIS' PERFORMANCE BASED INSPECTION SERVICE (PBIS) SYSTEM			
TOTAL: FOOD SAFETY AND INSPECTION SERVICE		1		
FOREST SERVICE				
084010004FM 2004/11/10	MONITORING THE AUDIT OF FISCAL YEAR 2004 FOREST SERVICE FINANCIAL STATEMENTS			
086010001HY 2005/03/31	FOREST SERVICE IMPLEMENTATION OF THE GOVERNMENT PERFORMANCE AND RESULTS ACT			
TOTAL: FOREST SERVICE		2		
MULTIAGENCY				
500990011HY 2005/03/31	IMPLEMENTATION OF RESEARCH MISCONDUCT POLICY WITHIN DEPARTMENTAL AGENCIES			
500990017AT 2005/03/14	CONTROLS OVER ASSESSING ENVIRONMENTAL LIABILITIES			
500990017KC 2005/02/17	BIOSECURITY GRANT FUNDING			\$4,318
504010053FM 2004/11/15	FY 2004 USDA CONSOLIDATED FINANCIAL STATEMENTS			
504010055FM 2004/11/18	AUDIT OF USDA'S CLOSING PACKAGE FOR FISCAL YEAR 2004			
505010001FM 2004/11/06	FEDERAL INFORMATION SECURITY MANAGEMENT ACT – FISCAL YEAR 2004			
506010008CH 2005/01/11	USDA COMPLIANCE WITH IMPROPER PAYMENTS REPORTING REQUIREMENTS			
TOTAL: MULTIAGENCY		7		\$4,318
NATURAL RESOURCES CONSERVATION SERVICE				
100990004TE 2004/12/22	SURVEY OF NRCS CONTROLS OVER CENTERS AND INSTITUTES			
100990018KC 2005/02/28	ENVIRONMENTAL QUALITY INCENTIVES PROGRAM			

**AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES
FROM OCTOBER 1, 2004, THROUGH MARCH 31, 2005**

AUDIT NUMBER RELEASE DATE	TITLE	QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
105010001SF 2004/12/15	REVIEW OF APPLICATION CONTROLS OVER THE NRCS – WATER AND CLIMATE INFORMATION SYSTEM (WCIS) FOR FY 2004			
106010003KC 2005/01/10	USDA – NRCS COMPLIANCE WITH IMPROPER PAYMENTS ACT OF 2002			
TOTAL: NATURAL RESOURCES CONSERVATION SERVICE		4		
OFFICE OF THE CHIEF FINANCIAL OFFICER				
110990045FM 2004/10/29	REVIEW OF PUBLIC KEY INFRASTRUCTURE AT OCFO/NFC			
114010020FM 2004/10/25	FISCAL YEAR 2004 – REVIEW OF THE NATIONAL FINANCE CENTER GENERAL CONTROLS			
TOTAL: OFFICE OF THE CHIEF FINANCIAL OFFICER		2		
RISK MANAGEMENT AGENCY				
050990109KC 2005/01/27	RMA ACTIVITIES TO RENEGOTIATE THE STANDARD REINSURANCE AGREEMENT			
054010013FM 2004/11/12	MONITORING THE AUDIT OF FISCAL YEAR 2004 FCIC FINANCIAL STATEMENTS			
056010007AT 2005/02/10	RMA – COTTON PREMIUM RATES			
TOTAL: RISK MANAGEMENT AGENCY		3		
RURAL DEVELOPMENT				
854010011FM 2004/11/05	RURAL DEVELOPMENT FISCAL YEAR 2004 FINANCIAL STATEMENTS			
TOTAL: RURAL DEVELOPMENT		1		
RURAL HOUSING SERVICE				
040990339AT 2005/03/23	SUBSIDY PAYMENT ACCURACY IN MULTI-FAMILY HOUSING PROGRAMS			
046010010CH 2005/01/27	RHS COMPLIANCE WITH IMPROPER PAYMENTS INFORMATION ACT OF 2002			
TOTAL: RURAL HOUSING SERVICE		2		
RURAL TELEPHONE BANK				
154010005FM 2004/11/05	MONITORING FISCAL YEAR 2004 RTB FINANCIAL STATEMENTS			
TOTAL: RURAL TELEPHONE BANK		1		
GRAND TOTAL:		37	\$287,954	\$478,281

AUDITS WITHOUT MANAGEMENT DECISION

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

NEW SINCE LAST REPORTING PERIOD

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
APHIS	09/30/04	1. WS – Aerial Acquisition Procedures (33099-1-KC)*	25,208	25,208
FNS	06/25/04	2. Philadelphia NSLP Computer Attendance/Meal Claim Analysis (27010-31-Hy)*	867,424	867,424
FSA	09/30/04	3. Federal Assistance Grants to Producers Along the Rio Grande in Texas (03099-180-Te)*	54,174	54,174
FSIS	06/09/04	4. Oversight of the Listeria Outbreak in the Northeastern United States (24601-2-Hy)	0	0
	06/29/04	5. Effectiveness Checks for the 2002 Pilgrim's Pride Recall of Ready-to-Eat Poultry Products (24601-3-Hy)	0	0
	09/30/04	6. Use of Food Safety Information Systems (24601-3-Ch)	0	0
RBS	04/23/04	7. RBS VAPG (34601-3-KC)	0	0
RHS	09/30/04	8. RRH Project Costs, Cairo, IL (04099-143-Ch)*	164,000	164,000
RMA	05/21/04	9. RMA – Added Land Policy (05099-25-At)	394,080	354,801
	06/01/04	10. Management and Security of RMA Technology Resources (05099-18-KC)	0	0

PREVIOUSLY REPORTED BUT NOT YET RESOLVED

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

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
APHIS	02/20/03	11. Safeguards To Prevent Entry of Prohibited Pests and Diseases Into the United States (33601-3-Ch)	0	0
Civil Rights (CR)	03/24/99	12. Evaluation of CR Management of Settlement Agreements (60801-2-HQ)	0	0
	03/10/00	13. Office of CR Management of Employment Complaints (60801-3-HQ)	0	0
	03/10/00	14. Status of Implementation of Recommendations Made in Prior Evaluations of Program Complaints (60801-4-HQ)	0	0
CSREES	08/06/02	15. Grants to National Center For Resources Innovation (13099-2-Te)	1,246,161	1,246,161
FNS	05/11/01	16. NSLP Food Service Management Companies (27601-12-KC)	3,572,137	3,572,137
	09/06/01	17. NSLP – FSMCs (27601-24-Ch)*	3,537,912	236,749
	11/21/01	18. CACFP – Wildwood, Inc. Phase II (27010-6-KC)	36,895,611	36,895,611
	03/29/02	19. NSLP – Chartwell's FSMC (27601-13-KC)	307,711	307,711
FSA	07/30/01	20. 1999 Crop Disaster Program (03099-42-KC)	950,891	950,891

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
FSIS	06/21/00	21. Implementation of the Hazard Analysis and Critical Control Point System (24001-3-At)	0	0
	09/30/02	22. Overtime Controls (24099-4-At)	0	0
	09/30/03	23. Oversight of Production Process and Recall at ConAgra Plant (Establishment 969) (24601-2-KC)	0	0
Multiagency	09/30/03	24. Implementation of Agricultural Risk Protection Act (50099-12-KC)	0	0
	09/30/03	25. 2000 Crop Disaster Program (50099-15-KC)	20,049	19,649
	02/23/04	26. Homeland Security Issues for USDA Grain and Commodities Inventories (50099-13-KC)	0	0
	03/04/04	27. Controls Over Plant Variety and Germplasm Storage (50601-6-Te)	0	0
	03/08/04	28. Followup Review on the Security of Biohazardous Material at USDA Laboratories (50601-10-At)	0	0
	03/24/04	29. Controls Over Chemicals and Radioactive Materials at USDA Facilities (50601-9-At)	0	0
RBS	01/28/02	30. Lender Servicing of Business and Industry (B&I) Guaranteed Loans, Florida (34601-3-At)	1,536,060	1,536,060
	01/10/03	31. Lender Servicing of B&I Guaranteed Loans in Georgia (34601-4-At)	3,766,908	3,766,908
	08/27/03	32. RD – Lender Servicing of B&I Guaranteed Loans in Georgia (34601-5-At)	9,145,549	224,951

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
	09/30/03	33. RD – Liquidation of B&I Guaranteed Loans (34601-8-SF)	818,121	178,323
	09/30/03	34. Request Audit of B&I Loan in Louisiana (34099-5-Te)	5,585,136	1,382,301
RHS	01/08/99	35. RRH Program – Dujardin Property Management, Inc., Everett, WA (04801-5-SF)	195,694	195,694
	05/25/00	36. RRH – Nationwide Initiative in MO – Lockwood Management Co., St. Louis, MO (04801-2-KC)	4,922,879	4,807,001
	09/28/01	37. RRH Program Insurance Expenses, Phase II (04601-4-KC)	596,665	79,442
	06/26/03	38. RD – RRH Program, Tenant Income Verification, Gainesville, FL (04004-3-At)	7,781,635	3,183,305
RMA	02/28/01	39. FY 2000 FCIC Financial Statements (05401-1-HQ)	0	0
	03/15/02	40. Monitoring of RMA's Implementation of Manual 14 Reviews/Quality Control Review System (05099-14-KC)	0	0
	09/30/02	41. Review of Large Insurance Claims for Watermelons (05601-9-Te)	6,998,779	6,998,779
	03/31/04	42. Indemnity Payments to Prune Producers In California – Producer D (05099-7-SF)	386,772	171,879

1. WS – Aerial Acquisition Procedures (33099-1-KC), Issued September 30, 2004

Management decisions have not been reached for seven recommendations. We recommended that, if after consultation with OGC it is determined Wildlife Services (WS) personnel violated appropriations law, disciplinary action be established if appropriate. We also recommended that APHIS begin disciplinary actions based on improper requests for ratification of unauthorized procurement actions and improper payments. In addition, we recommended that WS develop policies and procedures specific to WS' aerial acquisition program, including the establishment of management controls to ensure compliance. APHIS needs to clarify what process will be used to determine whether a lease or buy option best fulfills the mission. We further recommended that WS consult with OGC regarding whether WS personnel violated the court injunction limiting distribution or release of information pertaining to cooperative entities.

2. Philadelphia NSLP Computer Attendance/Meal Claim Analysis (27010-31-Hy), Issued June 25, 2004

During school years 1999 and 2000, the Philadelphia School Food Authority (SFA) did not comply with Federal regulations for ensuring the accuracy of school meal counts before submission of monthly claims for reimbursement. The SFA claimed excess, incorrectly categorized, and unapproved meals; we recommended recovery of \$867,424. Three recommendations are unresolved. Departmental regulations require that a copy of a bill for collection of amounts owed the Government, as well as support that the amounts have been entered as a receivable on the agency's accounting records, be provided. However, FNS has an internal instruction that conflicts with this regulation. FNS is working with OGC to resolve this issue. One recommendation requires a review of the SFA claims after school year 2000 and collection of any additional overclaims identified; it remains unresolved pending the receipt of more detailed implementation information.

3. Federal Assistance Grants to Producers Along the Rio Grande In Texas (03099-180-Te), Issued September 30, 2004

Four producers received duplicate payments totaling \$54,174. We recommended that FSA direct the Texas Department of Agriculture (TDA) to perform a review for duplicate payments, recover them, and report the amounts to OIG. TDA performed two such reviews, and we are working with FSA to determine the total monetary results of the audit, to include duplicate payments cited in the report and others identified by TDA's subsequent reviews. We also recommended that FSA seek clarification from OGC regarding whether the methodology used by TDA to disburse grant assistance to producers conformed to the law. We need a copy of OGC's opinion and descriptions of FSA's resultant corrective actions and timeframes.

4. Oversight of the *Listeria* Outbreak in the Northeastern United States (24601-2-Hy), Issued June 9, 2004

Management decisions remain for two recommendations regarding action plans to ensure that recalled product distributed to schools is accounted for and to ensure that the more than 273,000 pounds of recalled product we identified is removed from the schools.

5. Effectiveness Checks for the 2002 Pilgrim's Pride Recall of Ready-to-Eat Poultry Products (24601-3-Hy), Issued June 29, 2004

We continue to work with FSIS to reach agreement on acceptable corrective action plans to ensure that effectiveness checks receive a second-party review to make certain they are thoroughly completed.

6. Use of Food Safety Information Systems (24601-3-Ch), Issued September 30, 2004

Management decisions have not been reached for five recommendations. FSIS needed to provide written guidelines to aid its inspectors and supervisors in using the available data, and to take action to strengthen its existing information systems. Agency officials generally

concluded but need to provide additional information such as draft procedures on the management control process.

7. RBS – Value Added Agricultural Product Market Development Grant Program (VAPG) (34601-3-KC), Issued April 23, 2004

VAPG grants totaling \$86.4 million for FY's 2001 to 2003 were awarded without regulatory guidance, sufficient management control policies, or internal control procedures. RBS agreed to our findings, but disagreed that most of the corrective actions should be placed into regulations, and countered that their incorporation in supplementary handbooks would be sufficient. We recommended that RBS obtain a written opinion from OGC to identify the best approach to implement our recommendations. RBS obtained the OGC opinion and incorporated some of OGC's guidance, but still needs to fully describe proposed actions.

8. RRH Project Costs in Cairo, IL (04099-143-CH), Issued September 30, 2004

We performed an audit of a project owner and management company in Cairo, Illinois, based on the request of the Illinois Rural Development State Office and its concerns over project management. We found that the management company misused more than \$164,000 of project funds for personal gain. RBS agreed to pursue recovery of the \$164,000, foreclose on the two projects, and debar the individuals of the management company. Criminal and civil actions are under consideration.

9. RMA – Added Land Policy (05099-25-At), Issued May 21, 2004

Errors or misinterpretation of RMA yield determination procedures by insurance providers resulted in five producers receiving excess indemnity payments totaling \$372,080. Another producer received excessive indemnity payment of \$22,000 because of an incorrect report of acreage. Insurance providers, in determining crop years 2000 and 2001 actual production history (APH) yield for added land units for five producers, did not consider prior production history and APHs. We recommended that RMA require the applicable insurance provider to recover the \$394,080. Management decision has been reached for one of three recommendations. Agency officials are reviewing insurance providers' and producers' records to confirm the amount of overpayments.

10. Management and Security of RMA Technology Resources (05099-18-KC), Issued June 1, 2004

Management decisions remain for nine recommendations. Our recommendations addressed serious internal control weaknesses in the overall management and organizational structure for RMA's IT security and operations. We recommended that RMA provide sufficient resources to its new Chief Information Officer (CIO) to effectively oversee IT security and to separate the CIO and IT security staff from undue influence by production managers. We also recommended that RMA include the material control weaknesses in its FMFIA report. Other recommendations addressed vulnerabilities, controls over IT operations, the reimbursable agreement with FSA, policies and procedures, and background investigations. RMA plans aggressive actions by prioritizing the recommendations, acting first on those that will mitigate the FMFIA material internal control weaknesses, and then correcting the remaining flaws in its IT environment.

INDICTMENTS AND CONVICTIONS

Between October 1, 2004, and March 31, 2005, OIG completed 142 investigations. We referred 74 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 102 indictments and 117 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 117 convictions do not necessarily relate to the 102 indictments. Fines, recoveries/collections, restitutions, claims established, cost avoidance, and administrative penalties resulting from our investigations totaled about \$61.8 million.

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

Indictments and Convictions October 1, 2004 - March 31, 2005

Agency	Indictments	Convictions*
AMS	1	2
APHIS	12	9
ARS	5	1
FNS	57	55
FS	2	3
FSA	15	27
FSIS	5	9
NRCS	1	2
RBS	1	1
RHS	1	4
RMA	2	4
Totals	102	117

*This category includes pretrial diversions.

OFFICE OF INSPECTOR GENERAL HOTLINE

The OIG Hotline serves as a national receiving point for reports from both employees and the general public of suspected incidents of fraud, waste, mismanagement, and abuse in USDA programs and operations. During this reporting period, the OIG Hotline received 428 complaints, which included allegations of participant fraud, employee misconduct, and mismanagement, as well as opinions about USDA programs. Figure 1 displays the volume and type of the complaints we received, and figure 2 displays the disposition of those complaints.

Figure 1

Hotline Complaints

October 1, 2004, to March 31, 2005
(Total = 428)

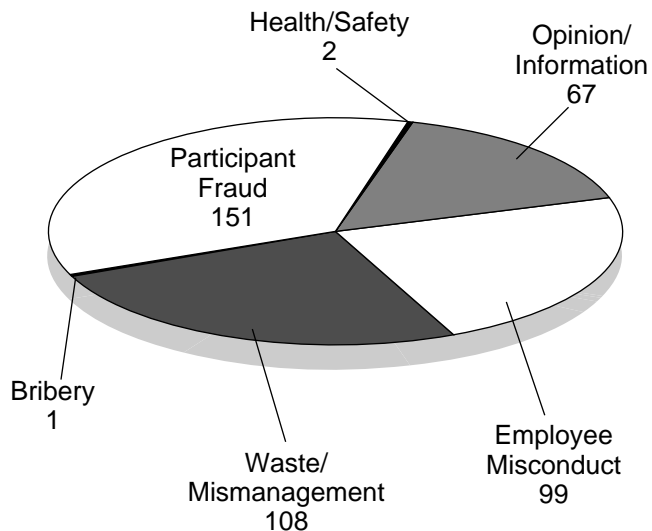
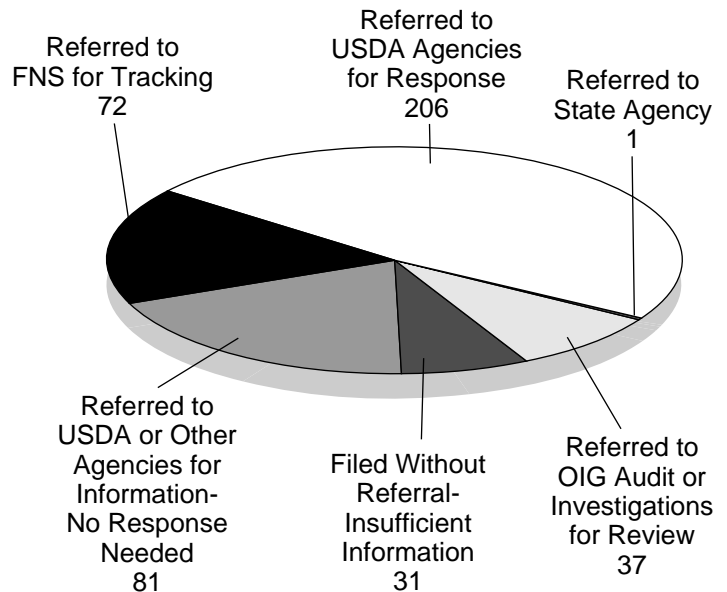


Figure 2

Disposition of Complaints

October 1, 2004, to March 31, 2005



**FREEDOM OF INFORMATION ACT (FOIA) AND PRIVACY ACT (PA) REQUESTS
FOR THE PERIOD OCTOBER 1, 2004, TO MARCH 31, 2005**

Number of FOIA/PA Requests Received	94
Number of FOIA/PA Requests Processed:	98
Number Granted	25
Number Partially Granted	20
Number Not Granted	53

Reasons for Denial:

No Records Available	12
Referred to Other Agencies	7
Requests Denied in Full (Exemption 7A)	10
Request Withdrawn	12
Fee-Related	1
Not a Proper FOIA Request	0
Not an Agency Record	4
Duplicate Request	0
Other	7

**Requests for OIG Reports From Congress
and Other Government Agencies**

Received	17
Processed	17

Appeals Processed 2

Appeals Completely Upheld	1
Appeals Partially Reversed	1
Appeals Completely Reversed	0
Appeals Requests Withdrawn	0

**Number of OIG Reports/Documents
Released in Response to Requests** 25

NOTE: A request may involve more than one report.

During this 6-month period, 40 audit reports were posted to the Internet at the OIG Web site:
www.usda.gov/oig.

Abbreviations of Organizations

AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
CBP	U.S. Customs and Border Protection
CCC	Commodity Credit Corporation
CDFA	California Department of Food and Agriculture
CR	Civil Rights
CSREES	Cooperative State Research, Education, and Extension Service
DHS	U.S. Department of Homeland Security
DOC	U.S. Department of Commerce
FBI	Federal Bureau of Investigation
FCIC	Federal Crop Insurance Corporation
FNS	Food and Nutrition Service
FS	Forest Service
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
GAO	U.S. Government Accountability Office
GIPSA	Grain Inspection, Packers and Stockyards Administration
NFC	National Finance Center
NRCS	Natural Resources Conservation Service
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OGC	Office of the General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSTP	Office of Science and Technology Policy
RBS	Rural Business-Cooperative Service
RD	Rural Development
RHS	Rural Housing Service
RMA	Risk Management Agency
RUS	Rural Utilities Service
TDA	Texas Department of Agriculture
USDA	U.S. Department of Agriculture
WS	Wildlife Services

Key OIG Accomplishments in This Reporting Period

RESULTS IN KEY CATEGORIES

SUMMARY OF AUDIT ACTIVITIES

Reports Issued		37
Management Decisions Made		
Number of Reports		40
Number of Recommendations		336
Total Dollar Impact (Millions)		
Of Management-Decided Reports		\$16.3
Questioned/Unsupported Costs	\$7.7	
Funds To Be Put to Better Use	\$8.6	

SUMMARY OF INVESTIGATIVE ACTIVITIES

Reports Issued		142
Impact of Investigations		
Indictments		102
Convictions		117
Arrests		150
Total Dollar Impact (Millions)		\$61.8
Administrative Sanctions		414

EXAMPLES OF PROGRAM IMPROVEMENT RECOMMENDATIONS MANAGEMENT AGREED TO DURING THIS REPORTING PERIOD (168 TOTAL)

- The FS agreed to develop a consolidated tracking system to include all recommendations and action items related to firefighter safety.
- APHIS agreed to establish a management control process to ensure that all hazardous materials inventory inspections are timely completed and results are accurately and fully reported.
- APHIS agreed to ensure that all security issues identified during formal risk assessments of its aircraft are appropriately addressed and that effective security measures are implemented.
- After our audit found that the disparate application of MILC production caps led to payment inequities, FSA agreed that language should be submitted for inclusion in proposed legislation to preclude such inequities in the future.

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