



United States Department of Agriculture
Office of Inspector General

Office of Inspector General

USDA Management Challenges



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INFORMATIONAL MEMORANDUM FOR THE SECRETARY

FROM: Phyllis K. Fong
Inspector General

August 18, 2011

SUBJECT: Management Challenges

The Reports Consolidation Act of 2000 requires the U.S. Department of Agriculture (USDA), Office of Inspector General (OIG), to report annually on the most serious management challenges USDA and its agencies face.¹ In this year's report, we have revised how we present the challenges to more clearly and concisely articulate the key concerns facing the Department.

To identify these departmental challenges, we examine issued audit reports where corrective actions have yet to be taken, assess ongoing investigative and audit work to ascertain significant vulnerabilities, and analyze new programs and activities that could pose significant challenges due to their range and complexity. We discussed our current challenges with USDA officials and considered all comments received.

This year, we have removed two challenges from those included in last year's report. These challenges related to homeland security (Challenge 4, 2010) and renewable energy (Challenge 9, 2010). Homeland security issues need continuing attention to mitigate domestic and international threats, but ongoing governmentwide work has lessened the need to track them separately. In light of USDA's implementation of a departmentwide renewable energy strategy, we have also removed this challenge, and will now monitor the Department's progress toward meeting its renewable energy goals.

We have also added one new challenge for USDA concerning improper payments, which we reported last year as an emerging issue. The President's 2010 Executive Order (EO 13520) and the Improper Payments Elimination and Recovery Act of 2010 (IPERA) have brought this issue to the forefront, as USDA reported \$5 billion in improper payments for fiscal year (FY) 2009 and must continue to improve its internal controls to reduce them (Challenge 9).²

¹ Public Law 106-531.

² Exec. Order No. 13,520, 74 Fed. Reg. 62,201 (Nov. 25, 2009) and IPERA (31 U.S.C. § 3321 note).

Finally, we discuss several emerging issues that may develop into significant concerns, including: animal welfare, conservation performance goals, suspension and debarment regulations, human capital resources, and (new this year) duplication in USDA programs and operations.

We look forward to working with the Department to address these management challenges and mitigate emerging issues. If you have any questions or would like to discuss these issues, please contact me (202-720-8001) or Deputy Inspector General David Gray (202-720-7431). You or your staff may also contact Audit's Assistant Inspector General, Gil H. Harden (202-720-6945), or Investigations' Assistant Inspector General, Karen Ellis (202-720-3306).

Attachment:

Major USDA Management Challenges

cc:

Subcabinet Officials

Agency Administrators

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Interagency Communication, Coordination, and Program Integration Need Improvement *(Challenge 1)*

Like many departments within the Federal Government, USDA faces a challenge in coordinating the various agencies and programs within its purview. This challenge is particularly pressing for USDA because several of its agencies provide payments to producers for programs that have complementary and interlocking missions; likewise, USDA shares overarching responsibility for food safety with several agencies in other departments, a fact that requires a high degree of interdepartmental cooperation. USDA agencies must understand these interrelationships and the need to work together to create a cohesive, integrated system of program administration. Such an approach would increase organizational communication; streamline operations; reduce spending; and improve program efficiency, compliance, and integrity.

Farm Programs

Through their various programs, the Farm Service Agency (FSA), the Risk Management Agency (RMA), and the Natural Resources Conservation Service (NRCS) all make program payments to farmers based on data that they gather themselves, borrow from one another, or obtain from other sources, such as the National Agricultural Statistics Service (NASS). Historically, our audit work has identified that how these agencies share their data is a longstanding problem, and Congress has required that RMA and FSA reconcile their producer data annually since 2001—a requirement that USDA has not yet fully met.^{1, 2}

Problems stemming from these competing and unreconciled data sources are common in USDA farm programs. For example, FSA relied on RMA-supplied data to administer the Hurricane Indemnity Program (HIP) for crop indemnities, but we found that some approved insurance providers (AIPs, which are private companies that deliver and administer crop insurance) changed producers' causes of loss or dates of damage and then resubmitted the information to RMA, which FSA was required by regulation to use in determining HIP eligibility.³ This action resulted in some producers becoming eligible for HIP payments who otherwise would have been denied. These improper payments were due to AIPs changing data in RMA's systems and could have been reduced if RMA had implemented data integrity controls suited to FSA's HIP eligibility needs.⁴

Similarly, NRCS did not use data readily available from FSA to validate information applicants submit when they apply for the Conservation Security Program (CSP)—a program on which NRCS spent a total of \$424 million through FY 2007 (our audit scope). When NRCS implemented the program, it relied on producers to supply the correct information for

¹ Agricultural Risk Protection Act of 2000.

² USDA Implementation of the Agricultural Risk Protection Act of 2000 (50099-12-KC, September 2003).

³ Title 7, Code of Federal Regulations, part 760, subpart C, May 10, 2006.

⁴ Hurricane Indemnity Program—Integrity of Data Provided by the Risk Management Agency (50601-15-AT, March 2010).

determining benefit eligibility and did not confirm that data with FSA. As a result, NRCS awarded contracts for up to 10 years of payments to applicants who certified to incorrect information. NRCS could have easily corrected this issue if it had worked closely with FSA.⁵

Coordination problems even affect RMA as it develops new insurance products for farmers. For instance, producers can be ineligible for RMA's Pasture, Rangeland, and Forage Pilot Program if they participate in other programs that prohibit them from using their land for grazing or haying, such as NRCS' Wetlands Reserve Program. However, if RMA does not communicate with other agencies as it implements its programs, the agency puts USDA at increased risk of program duplication, ineligible participation, and improper payments.⁶

These examples all demonstrate the need for USDA agencies with similar missions to coordinate their work and communicate amongst themselves. USDA is responding to this issue by implementing the Comprehensive Information Management System (CIMS)—a single, centralized, repository of RMA and FSA data that authorized agencies and private industry partners can use to administer their programs. Additionally, in July 2010, USDA's Deputy Under Secretary of Farm and Foreign Agricultural Services sponsored a crop acreage reporting and data streamlining initiative with participation by FSA, RMA, NASS, and NRCS. The initiative aims to simplify reporting processes, acreage reporting dates, and data definitions across USDA so that producers will not need to report information to multiple agencies. When this Departmentwide acreage reporting system is implemented, it will remove the need for data reconciliation.

Food Safety

Since the responsibility of ensuring food safety for American consumers is divided among several different agencies and Departments, USDA agencies such as the Food Safety and Inspection Service (FSIS) must work proactively to cooperate with non-USDA agencies like the Food and Drug Administration (FDA) and the Environmental Protection Agency (EPA). Such interdepartmental cooperation requires direct leadership from top-level officials.

A recent example of our work relating to the need for interdepartmental cooperation on food safety is our audit of the National Residue Program (NRP), a program that monitors the food supply for harmful residues from pesticides and drugs. USDA's FSIS operates the testing element of this program, but it relies on EPA and FDA to set thresholds for various dangerous substances. OIG identified opportunities for improving the three agencies' cooperative efforts, including: expanding the list of tested substances, improving the approval process for new drug residue testing methods, and collaborating to set tolerances for additional residues. Promoting the cooperation needed for a program such as NRP requires that departmental leadership play a pivotal role in effecting necessary cultural changes and unifying USDA's approach to program administration.⁷

⁵ Natural Resources Conservation Service Conservation Security Program (10601-4-KC, June 2009).

⁶ RMA Pasture, Rangeland, and Forage Pilot Program (50601-18-TE, August 2010).

⁷ FSIS National Residue Program for Cattle (24601-08-KC, March 2010).

In order to meet the demands of future emergencies—whether it be developing an effective response network for emergencies affecting the food supply or responding to an outbreak of avian influenza—USDA must foster improved cooperation and coordination between agencies, both inside and outside the Department.

Examples of Work We Anticipate Completing in the Future

- *USDA Controls Over Shell Egg Inspection.* This audit will assess USDA's efforts to control contaminants such as *Salmonella* in shell eggs and the Department's coordination with FDA, which has authority over egg laying production. The audit focuses on the Agricultural Marketing Service, which is responsible for grading eggs, and FSIS, which holds authority over labeling and refrigeration requirements.

Strong, Integrated Internal Control Systems Still Needed (Challenge 2)

USDA managers are responsible for controlling the programs they oversee through internal systems that bring about desired objectives, such as administering crop insurance correctly and making payments accurately.⁸ These internal controls consist of the policies, procedures, and organizational structures that collectively determine how a program is implemented and how its requirements are met. In effect, internal controls are the tools managers use to ensure that programs achieve intended results efficiently and effectively; they provide for program integrity and proper stewardship of resources. Since systemic control flaws can yield systemic program weaknesses—e.g., unrealized objectives and improper payments—managers must continuously assess and improve their internal control systems. When they identify a widespread deficiency, they must fix the problem before it undermines the program.

Over the years, USDA agencies have tended to resolve individual issues instead of strengthening systemically weak controls. For example, our audits of RMA have revealed several weaknesses in how the agency ensures that participants comply with the Federal Crop Insurance Program. Approved insurance providers have not always carried out their responsibilities to comply with program requirements and protect program integrity. For instance, in the wake of widespread crop damage caused by hurricanes in 2005, insurance providers did not meet their contractual obligations throughout the insurance process (e.g., adjusting loss claims, conducting quality assurance reviews, and reporting indemnities), which led to \$16.6 million in erroneous payments.⁹ Even though providers stumbled at each stage, RMA's oversight was not adequate to detect or prevent these missteps. Although RMA agreed to our recommended corrective actions in response to this and other reports, it did not see the problems as symptoms resulting from systemic flaws in its internal controls. Instead, RMA regarded the efforts of its individual compliance units as separate efforts rather than coordinated activities serving a shared, strategic goal of program compliance and integrity.¹⁰

Similarly, other agencies have regarded a series of audits as isolated cases needing resolution instead of patterns pointing toward systemic control flaws. For NRCS, this approach is partly attributable to its tendency to rely on participants to self-certify, and its decentralized organizational structure. NRCS delegates broad authority to its field units—State, area, and district offices—without having an adequate system of oversight, monitoring, and review to ensure compliance with national policies. We have identified significant control deficiencies in three of our most recent audits of NRCS programs: the Wetlands Reserve Program, CSP, and the Rehabilitation of Flood Control Dams Program.¹¹ In each, we found a significant number of

⁸ Here and below, we have drawn from the Office of Management and Budget's (OMB) description of Federal managers' obligations in *Management's Responsibility for Internal Control* (Circular A-123, 2006 revision). Also, we use the word "programs" in a general sense to include the various, complex operations and initiatives that Federal managers implement and oversee.

⁹ Risk Management Agency 2005 Emergency Hurricane Relief Efforts (05099-28-AT, March 2009).

¹⁰ Risk Management Agency Compliance Activities (05601-11-AT, September 2009).

¹¹ Respectively, the audit reports are: Natural Resources Conservation Service Wetlands Reserve Program Wetlands Restoration and Compliance (10099-4-SF, August 2008); Natural Resources Conservation Service Conservation Security Program (10601-4-KC, June 2009); and Rehabilitation of Flood Control Dams (10601-1-AT, July 2009).

instances where NRCS State and local staff either did not follow established procedures or relied on other parties—including producers and landowners—to ensure compliance. This resulted in improper payments and unrealized program objectives. In our audit of NRCS’ program to rehabilitate dams, for example, we found a significant risk to public safety when the agency relied on owners to volunteer their flood control dams for rehabilitation. Many owners did not come forward, leaving 80 percent of the Nation’s highly hazardous dams unexamined. Our ongoing review of FSA’s Biomass Crop Assistance Program (BCAP) demonstrates why integrating a strong internal control system into programs is a critical challenge for the Department and its agencies. The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) created BCAP to support producing crops for renewable energy, including providing matching payments for those involved in collecting, harvesting, storing, and transporting biomass. However, in an effort to quickly implement the program to comply with a deadline established in a Presidential memorandum, FSA implemented the program without creating an effective system of program-specific internal controls.¹² Instead, the agency used control tools from other programs (contracts, IT support, etc.) and did not provide its staff with adequate guidance or oversight. As we reported in interim reports, this led to inequitable treatment of program participants and improper payments, among other problems.¹³ The resources involved were significant; FSA spent over \$243 million total on the handling portion of BCAP in 2009 and 2010. In an effort to build a stronger internal control system, FSA has implemented all recommendations included in OIG’s interim reports.

In recent years, USDA agencies have made steady progress to close late audits and have generally been more timely in implementing corrective action plans in response to OIG’s audit recommendations. As of August 1, 2011, according to Office of the Chief Financial Officer (OCFO) records, there were 56 audits where agencies had not completed final action within the agreed timeframe of 1 year. We continue to maintain that implementing effective corrective actions in response to audit recommendations is key for program integrity and effectiveness. However, agencies must also consider the relation between these individual issues and their overall system of internal controls. As stewards of Federal resources, “[a]gencies should carefully consider whether systemic weaknesses exist that adversely affect internal control across organizational or program lines,” and senior USDA managers “should be involved in identifying and ensuring correction of systemic weaknesses.”¹⁴ When USDA and its agencies strengthen their overall internal controls, they also strengthen their programs.

¹² “Memorandum on Biofuels and Rural Economic Development,” Daily Compilation of Presidential Documents (May 5, 2009).

¹³ Recommendations for Improving Basic CHST Program Administration, Biomass Crop Assistance Program Controls over Collection, Harvest, Storage, and Transportation Matching Payments Program (03601-28-KC(1), December 2010); and Recommendations for Preventing or Detecting Schemes or Devices, Biomass Crop Assistance Program Controls over Collection, Harvest, Storage, and Transportation Matching Payments Program (03601-28-KC(2), February 2011).

¹⁴ Sec. IV(B) “Identification of Deficiencies,” and sec. IV(C) “Role of a Senior Management Council” in OMB’s *Management’s Responsibility for Internal Control* (Circular A-123, 2006 revision).

Examples of Work We Anticipate Completing in the Future

- *BCAP—Collection, Harvest, Storage, and Transportation Matching Payments Program.* Our review will evaluate the adequacy of the management controls FSA has established to ensure that the program is timely and effectively implemented and administered, and that the proper amounts of financial assistance are provided for eligible purposes.
- *Private Voluntary Organization Grant Fund Accountability.* Our review will evaluate the Foreign Agricultural Service's (FAS) internal control structure for ensuring that private voluntary organizations make proper use of program funds and effectively administer grants according to program goals. We will also follow up on the corrective actions that FAS implemented in response to a previous report that we issued in March 2006.¹⁵
- *NRCS – Review of Compliance and Monitoring Activities.* The overall objectives of the audit will be to determine if the agency's compliance and monitoring activities are adequate to strengthen program integrity, and to reduce fraud, waste, and abuse.

¹⁵ Foreign Agricultural Service Private Voluntary Organization Grant Fund Accountability (07016-1-AT, March 2006).

Information Technology (IT) Security Needs Continuing Improvement *(Challenge 3)*

Typically, USDA's work is thought of in terms of the benefits and services the Department provides, which touch almost every aspect of American life. To accomplish these missions, USDA must manage vast amounts of data associated with its many programs and operations. This critical information ranges from agricultural statistics that drive domestic and global markets to data-driven inspection systems that help ensure our food is safe. Department employees must be able to access, manipulate, and communicate this information to deliver programs effectively. Additionally, the general public can apply for many program benefits and other services through the internet. It is therefore critical that the Department protect the security, confidentiality, and integrity of its IT infrastructure.

Over the last several years, however, we have found that USDA's IT systems remain vulnerable in many key areas. The Federal Information Security Management Act of 2002 (FISMA) requires OIG to annually review the Department's cybersecurity initiatives, including those that shield IT equipment and systems from theft, attack, and intrusion. Since 2001, our audits have reported serious weaknesses in the design of USDA's overall IT security program and its effectiveness.¹⁶ Most significantly, the current security program does not have a solid foundation because the Department has not fully deployed basic analytic tools that determine accurate system inventories or perform appropriate risk assessments and timely vulnerability scans. USDA is also not well-prepared to prevent or respond to emergencies because it lacks adequate mechanisms to continuously monitor systems and recover from disasters.

With new modes of delivering information and using computer programs—i.e., cloud computing—come new risks. Cloud computing essentially centralizes applications and data offsite in a system hosted by a third party, outside of USDA's internal security walls. In FY 2011, the Department began moving agencies' email service to an outside data center. Along with the risk inherent with no longer having direct control over data, each time an employee reaches out from a smartphone, laptop, or desktop to use these cloud services, the Department's sensitive information is susceptible to prying and hacking. As the Department moves to integrate more cloud services into its operations, it will need to prepare for the associated risks. In particular, USDA must ensure that third-party service providers meet strict access and security requirements. Further, the Office of the Chief Information Officer (OCIO) should provide official guidance about using and acquiring data through cloud services.

Going forward, we believe USDA needs to lay the foundation for an effective, comprehensive IT security plan. The Department needs to work with all of its agencies to identify overall risks, and then prioritize the risks so that it will have a solid basis for a time-phased plan to

¹⁶ See, for example, the last 3 years of our FISMA audits: U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2010 Federal Information Security Management Act (50501-02-IT, November 2010); U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2009 Federal Information Security Management Act (50501-15-FM, November 2009); and U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2008 Federal Information Security Management Act Report (50501-13-FM, September 2008).

systematically mitigate them. Agency managers should also make IT security an ongoing top priority and commit to complying with Federal security requirements.

With 32 agencies and offices to protect, each usually with its own IT infrastructure, managing USDA's IT security is a considerable responsibility. We are encouraged by the Chief Information Officer's response to our FY 2010 FISMA audit, which detailed OCIO's "continuing effort to improve the management and security of the USDA IT resources using a risk-based approach to direct the appropriate resources at the appropriate time."

Examples of Work We Anticipate Completing in the Future

- *FY 2011 FISMA Report.* This audit will assess USDA's IT security posture based on questions prepared by the U.S. Department of Homeland Security's National Cyber Security Division and the Office of Management and Budget (OMB).
- *USDA's Security over Domain Name System Servers.* Our audit will evaluate the configuration and security of the servers through which departmental employees, contractors, and customers access the internet and USDA's network.
- *OCIO's Funding Received for Security Enhancement.* The overall objective of this audit is to assess OCIO's use of increased funding received for security enhancements.

Material Control Weaknesses in Civil Rights Should Be Mitigated (Challenge 4)

In an April 2009 memorandum to all USDA employees, the Secretary of Agriculture stated that civil rights was one of the Department's top priorities, emphasizing that there was significant progress to be made. USDA has received public attention with the *Pigford I* and *Pigford II* settlements, which stem from a series of discrimination complaints made against USDA by African American farmers. USDA pays significant amounts each year to settle claims, in addition to the \$1.15 billion provided by Congress under the Claims Resolution Act of 2010 for *Pigford II*. Similar lawsuits, known as *Keepseagle*, *Garcia*, and *Love*, have been filed respectively by Native American, Hispanic, and female farmers. Such civil rights complaints are not just costly for USDA; they also affect public confidence in USDA's administration of its programs. Because USDA is committed to ensuring that its conduct is just and equitable, the Department needs to timely and efficiently settle civil rights complaints.

Processing such complaints involves multiple levels and agencies within USDA. For this reason, complaint resolution requires continual coordination to ensure that the process runs smoothly. With over 300 programs to manage and a backlog of civil rights complaints, timely resolution is difficult. USDA has implemented various initiatives and devoted valuable resources towards resolving them. For example, in 2005, USDA developed 13 initiatives that addressed the backlog of complaints and their timely handling. As a result, we removed civil rights from the list of management challenges in 2005. However, 2 years later, we found that despite these improvements, many of the same issues remained, and we reinstated the challenge.¹⁷

Due to a lack of internal controls, even promising advancements have proven inefficient, or have fallen short of their potential. Although the Office of the Assistant Secretary for Civil Rights (OASCR) has halved how long it takes on average to process a complaint (3 years in 1997 to less than 1.5 years in 2006), it still cannot ensure that civil rights complaints are effectively tracked and timely processed. In May 2008 and April 2009, Government Accountability Office (GAO) officials testified on OASCR's continuing problems with resolving discrimination complaints. And in an April 2009 memorandum, the Secretary of Agriculture noted that 3,000 of nearly 14,000 complaints filed since the beginning of the decade had not been processed. Addressing the high volume of civil rights complaints continues to be a challenge for USDA, and OASCR in particular needs to strengthen its internal controls and establish formalized plans to accomplish its goals and fully utilize its resources.

Although USDA has a dedicated workforce to facilitate handling complaints, timely processing still suffers from insufficient coordination. Each agency within USDA has its own civil rights division, and OASCR provides leadership and guidance to ensure coordination between agencies and improve complaint processing. Yet, in 2007, we found that the Office of Civil Rights (now OASCR) was not communicating effectively with agencies to ensure that they submitted final agency decisions on time.¹⁸ Until agencies took this step, the Department's civil rights division

¹⁷ Review of the U.S. Department of Agriculture's Accountability for Actions Taken on Civil Rights Complaints (60601-04-HY, May 2007).

¹⁸ Ibid.

could not proceed. Without a designated process for clear communication and collaboration, information can go missing or be delayed, and closing complaints will continue to be difficult.

Similarly, though USDA took measures to facilitate information-sharing between OASCR and agencies, these measures remain a major contributor to untimely complaint processing. In 2000, an OIG audit showed that the Office of Civil Rights and USDA agencies' separate tracking systems slowed the resolution process and hindered coordination.¹⁹ To address this problem, in 2005, the Office of Civil Rights implemented the Civil Rights Enterprise System (CRES), a centralized, automated system where both civil rights and equal employment opportunity (EEO) complaints can be processed and tracked.²⁰ However, we determined that due to a lack of internal controls and procedures, key data were not entered into CRES, giving the appearance that USDA had not reached resolution on many closed cases. While officials stated that they planned to implement controls to ensure that future information was entered completely and timely, we found that there was no plan for identifying, developing, testing, and implementing these internal controls. In order to create a reliable, centralized system, OASCR needs to strengthen its controls over entering and validating CRES data.

USDA continues to make concerted efforts towards decreasing complaint processing time. When we performed our audit, officials assured us that they had a strategic plan to meet timelines, though they did not have controls to track the processing of complaints, and to intervene when they exceed timeframes. The April 2009 memorandum by the Secretary and testimony by the Assistant Secretary of Civil Rights outlined steps to improve EEO, civil rights, and program delivery. Their proposed actions included: obtaining an outside, independent analysis of program delivery; creating a task force to review a sample of civil rights complaints; prioritizing complaints processing; suspending loan foreclosures temporarily to give the Department time to review those possibly involving discriminatory conduct; and requiring OASCR to implement management controls over handling complaints timely and consistently. Currently, we are assessing the effectiveness of these corrective actions. The Secretary also announced his strategy for resolving all open EEO complaints by using alternative dispute resolution, and gave each Under and Assistant Secretary responsibility for handling all open departmental EEO complaints within 60 days.

While these plans are beginning to address this challenge, we continue to emphasize that formalized processes and controls are necessary to ensure that USDA can meet reasonable and measurable milestones. Specifically, OASCR must develop a detailed, formal plan to process employment complaints in collaboration with agencies and establish the necessary monitoring framework to intervene when complaint processing exceeds timeframes. Further, OASCR needs to strengthen its controls over entering and validating CRES data.

¹⁹ Office of Civil Rights Status of the Implementation of Recommendations made in Prior Evaluations of Program Complaints (60801-4-HQ, March 2000) and Office of Civil Rights Management of Employment Complaints (60801-3-HQ, March 2000).

²⁰ In addition to tracking EEO complaints, CRES also tracks program complaints and alternative dispute resolution.

Examples of Work We Anticipate Completing in the Future

- *Review of OASCR's Oversight of Agreements Reached in Program Complaints.* This audit will evaluate OASCR's decisionmaking process for settling with complainants in USDA programs who allege discrimination.
- *Review of Pigford II Adjudicated Claims.* As required by the Claims Resolution Act of 2010, this audit will review *Pigford II* claims based on a statistical sample of adjudicated claims.

Proactive, Integrated Strategy Is Necessary To Increase Agricultural Commerce and Trade *(Challenge 5)*

Given the importance of U.S. agriculture to the economy—in 2010, the Nation’s farms and ranches produced \$369 billion in goods—USDA has a longstanding and deeply rooted interest in promoting the export of our commodities worldwide. Over the last several years, the monetary total of U.S. agricultural exports has risen significantly because of adverse weather conditions in major agricultural areas, the U.S. dollar’s declining value, and increased demand in countries such as India and China. In FY 2010, U.S. agricultural exports totaled nearly \$109 billion—an increase of 11 percent from the preceding fiscal year’s \$96 billion.

In this positive environment for U.S. agricultural goods, USDA’s challenge is to capitalize on this historic moment. In 2007, we reported that USDA had not integrated its current country-specific marketing strategies into a focused, global strategy capable of responding effectively to international market trends. We recommended that the Department develop a global market strategy to increase U.S. export opportunities and competitiveness and, in 2010, the Department announced a global market strategy in answer to the President’s call for an export initiative.^{21, 22}

Developing a global market strategy for U.S. agricultural goods is especially vital because the Nation’s production is increasingly devoted to biotechnology-derived or genetically engineered (GE) crops. In 2010, GE-corn constituted 86 percent of all corn planted in the United States; GE-cotton constituted 93 percent of planted cotton; and GE-soybeans constituted 93 percent of soybeans planted.

While these products are, in many ways, beneficial for agriculture, USDA faces significant challenges related to developing and exporting them. For instance, the Department needs to strengthen its controls over the entire GE process, from handling permit and notification applications to overseeing devitalization of GE crops under approved notifications (i.e., rendering GE plants or plant products incapable of germination, growth, or reproduction).²³ In response to our prior audit work, USDA has indicated that it will eliminate the current GE notification-and-permit system in favor of a multi-category permit system.

As part of its global market strategy, USDA needs a coordinated, comprehensive strategy to address the challenges that U.S. producers face when exporting GE commodities. We concluded that an effective export strategy for GE commodities should include elements such as: (1) a clear

²¹ Foreign Agricultural Service: Implementation of the Trade Title of the 2002 Farm Bill and the 2002 President’s Management Agenda (50601-12-AT, March 2007).

²² In March 2010, the President issued the National Export Initiative, an Executive Order to enhance and coordinate Federal efforts to facilitate the creation of jobs in the United States through the promotion of exports and to ensure the effective use of Federal resources. This initiative supports the Administration’s goal of doubling exports within the next 5 years.

²³ Animal and Plant Health Inspection Service Controls over Issuance of Genetically Engineered Organism Release Permits (50601-8-TE, December 2005).

purpose, scope, and methodology; (2) a statement of problems; (3) goals and outcome-related performance measures; and (4) well-integrated internal and external partner accomplishments.²⁴

In a recently released report, we evaluated whether current laws and USDA regulations provide sufficient authority to control GE animal and insect research.²⁵ In addition, we assessed whether USDA agencies involved in this research have sufficient controls in place to ensure that GE animals and insects will not be accidentally released, which could harm commerce, the environment, and public health. We found that the Department has not issued regulations that pertain specifically to introducing GE animals or insects (through import, interstate movement, or field release). USDA also needs to be more transparent and accountable with respect to GE animals and insects by developing a regulatory framework with a clearly defined scope and requirements.

In order to remain competitive in global agricultural exports, USDA should finalize a coordinated and consolidated global market strategy, which includes guidelines and strategies for working with countries reluctant to import GE crops. The strategy should also address opening new markets for U.S. agricultural products, particularly high-value or processed products. USDA is in the process of developing such a strategy, and must ensure that its use of resources aligns with the Department's export initiatives.

Examples of Work We Anticipate Completing in the Future

- *Effectiveness of the Department's Recent Effort To Enhance Agricultural Trade.* Our review will: (1) evaluate the Department's efforts to enhance agricultural trade in response to the President's National Export Initiative; (2) determine the effectiveness of FAS' implementation of the Department's global market strategy; (3) determine whether FAS is effectively communicating and coordinating with other USDA agencies and Federal departments in its efforts to enhance agricultural trade; and (4) follow up on corrective actions FAS has implemented in response to our previous audit report, issued in March 2007.²⁶

²⁴ USDA's Role in the Export of Genetically Engineered Agricultural Commodities (50601-14-TE, February 2009).

²⁵ Controls over Genetically Engineered Animal and Insect Research (50601-16-TE, May 2011).

²⁶ Foreign Agricultural Service Implementation of the Trade Titles of the 2002 Farm Bill and the 2002 President's Management Agenda (50601-12-AT, March 2007).

Forest Service (FS) Management and Community Action Needed To Improve Forest Health and Reduce Firefighting Costs *(Challenge 6)*

In order to care for the 193 million acres of forests and grasslands under its supervision, FS should focus not only on managing natural resources, but also on ensuring that it approaches complex budgetary and human resource management issues with the same dedication it has for managing the Nation's lands. The inherent logistical challenges of managing vast natural resources are becoming more complicated and more expensive. The overall cost of fighting wildfires has soared to over \$1 billion per year, and already commands approximately 40 percent of the agency's budget.

Improving forest health and reducing FS' costs to do so are challenging goals to balance. FS' budget is being stretched in many directions by competing factors, one of which is unregulated population growth in human developments next to wildlands. Given the danger to public safety, FS must spend significant funds to protect people and property in these areas from wildfires, drawing resources away from FS efforts to manage the forests. In addition, although FS' 2011 budget dedicates \$339 million to reducing hazardous fuels in forests, they are still accumulating three times faster than the agency can reduce them.²⁷

FS also needs a cohesive strategy to effectively combat problems that derive from invasive species. Our audit work has shown that the agency has not implemented basic internal controls over program activities that would help increase the effectiveness of its invasive species efforts.²⁸ Moreover, FS has not always ensured that its managers have the information they need to make informed decisions about how to conduct their activities on the ground.

Several audits have shown that, despite the fact that its responsibilities are changing, FS has not always been proactive in addressing its mission challenges. For instance, FS faces intense demands on its resources during some fire seasons, but has sometimes not taken advantage of the offseason to plan ahead.²⁹ FS could strengthen the way it anticipates and mitigates these recurring costs.

FS could also improve its cost-containment controls and performance measures.³⁰ This issue stems in part from not having enough personnel trained to conduct performance reviews. As FS has continued to struggle with keeping equipment and supply costs under control, staffing shortages due to FS' retiring critical firefighters have become increasingly problematic.³¹ Recently, FS has begun to take proactive steps to train staff members to succeed the senior leadership that will soon retire, and has also begun to assess the costs of its reliance on

²⁷ Forest Service Large Fire Suppression Costs (08601-44-SF, November 2006).

²⁸ Forest Service Invasive Species Program (08601-7-AT, September 2010).

²⁹ Forest Service Contracted Labor Crews (08001-2-AT, March 2010).

³⁰ Forest Service Large Fire Suppression Costs (08601-44-SF, November 2006); Forest Service Invasive Species Program (08601-7-AT, September 2010).

³¹ Forest Service's Firefighting Succession Planning Process (08601-54-SF, March 2010).

contracted firefighting labor.³² In addition to these positive steps, FS should also implement effective cost-containment controls and other administrative strategies.³³

FS' mission of managing the forests is a complex undertaking. Fortunately, public awareness about the impact of human activities on forests and grasslands—intended and unintended—is growing. FS officials should work with other land management organizations and Congress to convince State and local governments to enact appropriate building and zoning codes to better regulate human developments, especially in areas that are at risk of wildfire. FS should also collaborate with other land management organizations and State and local governments to reduce wildfire risk. By continuing to improve its internal controls and coordination, FS will be able to better fulfill its mission of caring for the Nation's forests and grasslands.

Examples of Work We Anticipate Completing in the Future

- *Processes To Acquire and Grant Rights of Way and Easements.* This audit addresses the effectiveness of FS' management and processing of rights-of-way and easements in accordance with applicable requirements.
- *Management of Oil and Gas Resources on National Forest System Land.* This audit will evaluate how FS approves oil and gas lease permit applications, monitors the operations it approves, and reclaims FS land.
- *Firefighting Cost Share Agreements with Non-Federal Entities.* This audit will evaluate whether firefighting cost share agreements equitably distribute fire suppression costs between Federal and non-Federal entities.

³² Forest Service Contracted Labor Crews (08001-2-AT, March 2010).

³³ Forest Service's Air Safety Program (08601-48-SF, February 2008); Forest Service's Plan for Replacement of Firefighting Aerial Resources (08601-53-SF, July 2009).

Food Safety Inspection Systems Need Improved Controls (Challenge 7)

Because food-borne illness and food contamination can put consumer health in jeopardy, USDA inspection systems work to protect the safety of the U.S. food supply. The Department provides a range of safety measures, from placing qualified inspectors in livestock and poultry slaughtering facilities to creating comprehensive data mining systems that pinpoint likely risks in food processing procedures. To maintain the confidence of consumers, Congress, and other stakeholders, FSIS should continue to improve its technology systems, inspection processes, and management controls to accurately assess risk and effectively prevent contamination.

Over the last several years, OIG's work has identified areas where USDA could strengthen its risk assessment and management processes. Since 2000, we have reviewed USDA's efforts to implement the Hazard Analysis and Critical Control Point (HACCP) regulations. Under HACCP, establishments design their own food safety systems for sanitation and pathogen reduction. FSIS verifies the implementation of these plans through inspections and other activities, such as food safety assessments. Because targeted selection is necessary for the success of FSIS' inspections and assessments, the agency needs reliable, comprehensive data to draw from. In several audits, we found that then current processes did not ensure that FSIS had the volume and quality of data necessary to select establishments posing the highest public health risk. FSIS is in the process of implementing its new Public Health Inspection System that will replace many of the agency's existing inspection systems and is expected to improve the way FSIS detects and responds to foodborne hazards. Many of the new system's features were designed to address previous OIG findings and recommendations, such as capturing food safety assessment data for risk analysis. OIG plans to evaluate FSIS' progress in implementing its new inspection system.

HACCP plans must be timely updated in the agency database to ensure that the information can be used to make risk-based decisions on a larger scale.³⁴ We found that current processes do not ensure that FSIS has the volume and quality of data necessary to select those establishments posing the highest risk that therefore should be subject to inspection. Maintaining an updated database will continue to pose a challenge for the Department as it further develops its inspection methods.

A series of major meat recalls in recent years has drawn attention to key vulnerabilities in USDA's food safety measures. For example, a 2008 undercover video from the Humane Society showed egregious abuse of cattle awaiting slaughter at a California establishment. Because many of the cattle shown had not been presented for required inspection, this video spurred a voluntary recall of nearly 143 million pounds of raw and frozen beef—the largest such recall to date. Our audit found that slaughterhouse personnel took deliberate actions to bypass the inspections, and FSIS staff did not always comply with inspection procedures.³⁵ Though we found that this incident was not a result of systemic failure, we believe FSIS must develop

³⁴ Issues Impacting the Development of Risk-Based Inspection at Meat and Poultry Processing Establishments (24601-07-HY, December 2007).

³⁵ Evaluation of FSIS Management Controls over Pre-Slaughter Activities (24601-0007-KC, November 2008).

methods to quickly detect such improprieties before they significantly endanger consumer health and animal welfare. FSIS has, though, taken action in response to these events, such as issuing policy that requires all non-ambulatory disabled cattle to be condemned and appointing an ombudsman who is responsible for humane handling issues.

More recently, in 2011, our audit work has identified challenges in ensuring that FSIS testing methodologies are effective and reliable.³⁶ At beef slaughter and processing plants, FSIS inspectors sample beef trim and test it for *Escherichia coli* O157:H7 (*E. coli*) contamination.³⁷ FSIS uses a method that involves taking 60 small samples of meat from a large unit of trim (known as a “lot”) and testing them in a laboratory. According to FSIS officials, this method is not designed to yield a specific statistical confidence about the presence of *E. coli* in any given lot, but instead functions as an active monitoring measure that verifies whether *E. coli* intervention steps (such as washing carcasses) are working. From FSIS’ perspective, a plant’s own intervention steps are the best way to stop contamination, because no method of statistical sampling and testing can guarantee that a particular lot of beef trim does not contain *E. coli*. While we agree that testing alone cannot ensure consumers are safe from pathogens, we believe the current sampling method does not have the statistical precision to reasonably ensure food safety or to verify that plant controls and intervention steps are working. FSIS is now developing a plan to conduct baseline studies to estimate *E. coli* prevalence in beef trim and ground beef, which are critical for redesigning the agency’s sampling and testing methodologies.

Moving forward, we believe that FSIS should thoroughly evaluate and document the components of its public health inspection system and mitigate any limitations it finds. To better address the risk of *E. coli* contamination, FSIS should reevaluate its sampling parameters, document the scientific support and rationale underlying any redesigned sampling program, and implement a new sampling program that focuses resources on areas most at risk for *E. coli* contamination.

Over the past decade, FSIS has continued to take steps to update its technology and refine its monitoring controls. The Public Health Information Consolidation Project, launched in April 2011, should better integrate the numerous IT applications USDA uses for inspection of meat, poultry, and egg products, leading to more effective oversight Nationwide. FSIS has also begun issuing quarterly humane handling alerts, which analyze data for anomalies in how establishments and inspectors perform.

The task of ensuring the safety of America’s food is a vast responsibility, and we recognize the difficulties USDA faces in maintaining daily vigilance. If the Department continues to meet this food safety challenge by strengthening its technology systems, inspection processes, and management controls, then consumers can be more confident that USDA’s measures effectively mitigate the risk of contaminants entering the food supply.

³⁶ FSIS Sampling Protocol for Testing Beef Trim for *E. coli* O157:H7 (24601-9-KC, February 2011).

³⁷ This strain of *E. coli* causes about 70,000 illnesses a year, with 52 fatalities in 2009.

Examples of Work We Anticipate Completing in the Future

- *FSIS N-60 Testing Protocol for Testing Beef Trim for E. Coli.* This audit will address the effectiveness of FSIS' and processing establishments' collection of beef trim samples, determine whether industry and private laboratories' sampling and testing protocols meet FSIS standards, and examine how FSIS and the beef industry use test results.
- *Assessment of FSIS Inspection Personnel Shortages in Processing Establishments.* This audit will determine if the current level of inspection personnel is adequate, and evaluate the affect that any inspection personnel shortages have on FSIS' ability to ensure that U.S. meat and poultry products are safe.
- *Review of Appeals of Humane Handling Noncompliance Records.* This audit will assess industry appeals of noncompliance records and other humane handling enforcement actions by FSIS.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) Needs To Be Effectively Implemented *(Challenge 8)*

When Congress passed the Recovery Act in 2009, it allocated supplemental appropriations—\$28 billion—to USDA agencies. Congress directed Government agencies to distribute the funding as quickly as possible and, at the same time, required unprecedented levels of accountability and transparency for these expenditures. Agencies had to plan, implement, and expand a diverse range of program activities intended to stimulate the economy, create jobs, invest in infrastructure, and assist those most affected by the recession. Overall, USDA’s challenge is to timely, effectively, and transparently implement Recovery Act-related programs with controls necessary to ensure integrity and accountability. Agencies are completing the phase in which they initiated program activities, and are now working to ensure that they use Recovery Act funds correctly and that they measure the success of their Recovery Act work.

Since agencies have now generally spent or obligated Recovery Act funds, their current focus is to carry out an increased workload of program operations while making sure that work is done timely, effectively, and transparently. At this point, it is crucial for agencies to ensure they are using funds for the intended purpose and in accordance with program requirements.

As the Department has implemented Recovery Act-funded programs, OIG has carried out a number of short- and long-term reviews to provide effective oversight of funds.³⁸ Overall, OIG’s first phase of audit work, related to the initial phases of Recovery Act implementation, concluded that agencies needed to address a variety of internal control and program performance issues.³⁹ For instance, some agencies need to adjust the way they manage grants and contracts. OIG’s analyses indicated that, due to internal control problems, agencies have not always spent Recovery Act funds in accordance with program guidance and have not always fully achieved intended purposes. For example, based on our statistical analysis of 100 loans from a total Recovery Act portfolio of 81,000 loans distributed by the Rural Housing Service (RHS), OIG estimated that over 33 percent of the loan portfolio—a projected total value of \$4 billion—may have gone to ineligible participants due to insufficient quality control procedures.⁴⁰ The extent of these issues will become more apparent as OIG’s assessment of Recovery Act work continues.

Investigative work to protect Recovery Act funds is also underway. As of August 1, 2011, OIG has 86 active investigations related to the Recovery Act. Identifying and investigating cases of suspected program fraud helps to protect the integrity of USDA programs. Disclosing fraudulent program violations through our investigations also helps protect Recovery Act funds.

³⁸ These short- and long-term reviews have identified problems related to contracting, reporting requirements, internal management reviews, separation of duties, loan underwriting reviews, loan-to-debt ratio requirements, loan collateral, loan origination processes, project prioritization, asset appraisals, and eligibility determinations.

³⁹ Additionally, as of August 1, 2011, OIG has issued 56 short-turnaround reports (known as “Fast Reports”) as we have identified issues needing immediate management attention. OIG will incorporate these Fast Reports into the appropriate final audit reports; 31 audit reports related to Recovery Act work have been issued thus far. We have made 81 recommendations to agency officials in our final reports.

⁴⁰ Rural Development Guaranteed Single Family Housing Loans Made by Lenders to Ineligible Borrowers (04703-0002-CH(1), December 2010).

As USDA continues to implement Recovery Act-related activities, Department and agency leaders should view the information generated by the Recovery Act's emphasis on transparency as an opportunity to identify ways to improve USDA programs. Agencies should hold themselves accountable for achieving benefits from this unique funding opportunity. Such actions should increase the public's confidence that USDA agencies have administered Recovery Act programs effectively and improved their programs.

Examples of Work We Anticipate Completing in the Future

- *Controls over Eligibility Determinations for Single Family Housing Guaranteed Loans.* This audit will use statistical sampling to determine whether Nationwide program eligibility determinations are appropriate.
- *Effectiveness of Controls over Single Family Housing Direct Loans.* Using statistical sampling, this audit assesses program eligibility controls on a Nationwide basis.
- *FS' Effectiveness in Administering Capital Improvements and Wildfire Management.* This effort involves several audits that will evaluate FS' effectiveness in carrying out the objectives of the Recovery Act in a variety of areas, such as firefighting and improving lands under the agency's purview.

Efforts To Identify, Report, and Reduce Improper Payments Need To Be Strengthened *(Challenge 9)*

USDA delivers approximately \$189 billion in public services annually through more than 300 programs. In FY 2010, USDA reported that 16 of its programs were vulnerable to significant improper payments (“high-risk” programs) and estimated \$5 billion in improper payments for that year—a 5.4 percent error rate. This represents a significant reduction from FY 2009’s 5.92 percent error rate, but still leaves the Department with an opportunity to realize considerable cost savings by continuing to reduce its improper payments.

The President’s 2009 Executive Order, *Reducing Improper Payments and Eliminating Waste in Federal Programs* (EO 13520), and the Improper Payments Elimination and Recovery Act of 2010 (IPERA) strengthen Federal improper payment reduction efforts through rigorous reporting and preventative measures.⁴¹ These measures do not simply require more stringent reporting, but also help agencies reduce improper payments by identifying underlying problems. They also require OIG to evaluate agencies’ progress in implementing these requirements. On the whole, OIG noted that as agencies become increasingly familiar with the new requirements, their reports are more compliant. However, over the past 3 years, we found that USDA has struggled to fully comply with some requirements, particularly those involving USDA’s reporting practices and preventative measures.

In FY 2010, USDA and its agencies submitted the required reports, but in some instances left out critical information. For example, the Food and Nutrition Service has not reported estimates for improper payments in two of its high-risk programs due to a lack of funds and a postponed study that would identify this information.⁴² For other agencies, reports were sometimes significantly late; other times, they were not submitted at all.

As well as being timely, reports must be accurate and complete in order to fairly portray agencies’ challenges and progress in handling improper payments. For example, when NRCS waived a portion of the overpayments it had agreed to recover, it only recorded the non-waived portion of the payment.⁴³ Inaccurate or incomplete reporting can understate improper payments and hinder attempts to monitor progress, as well as efforts to address root causes. We are working with NRCS to better document how it processes overpayments.

We are also working with RMA to determine an accurate error rate; we recommended RMA include significant payments it had excluded.⁴⁴ RMA disagreed, citing OMB’s approval of RMA’s current sampling method. However, RMA’s sampling method, established 7 years ago, is too narrow for the new standards and results in misleading error rates. Ultimately, the purpose

⁴¹ IPERA supplements the Improper Payments Information Act of 2002. The President also issued two Presidential memoranda expanding payment recovery audits and enhancing payment accuracy through a “Do Not Pay List.”

⁴² The two programs are: the Special Supplemental Nutrition Program for Women, Infants, and Children; and, the Child and Adult Care Food Program. Food and Nutrition Service Financial Statements for Fiscal Years 2010 and 2009 (27401-35-HY, November 2010).

⁴³ Natural Resources Conservation Service Conservation Security Program (10601-4-KC, June 2009).

⁴⁴ Risk Management Agency Compliance Activities (50601-11-AT, September 2009).

of IPERA and EO 13520 compliance is to capture sufficient details for agency officials to identify systemic problems and take adequate corrective action. Consequently, RMA—which excluded significant overpayments—may not identify the cause of preventable trends.

Agencies' success in reducing error rates depends not only on accurately reporting error rates but also on taking preventative measures. For example, after GAO found that FSA disbursed over \$1 billion in farm payments to deceased producers from FYs 1999 to 2005, FSA calculated its error rate for FY 2007 and concluded that less than 2 percent of the \$108 million in payments made to deceased producers that year were improper. However, we determined that because multiple waived or recovered improper payments were omitted from the reported total, the 2-percent rate was unreliable and likely understated.

While the new requirements may lead to a higher calculated error rate, they also provide valuable tools to reduce it. For instance, GAO had found that at the time of its review, FSA was not comparing participant information with the Social Security Administration's Death Master File. Since 2007, FSA has implemented additional safeguards and preventive measures to prevent improper payments, such as comparing participant information with the Death Master File on a quarterly basis. Through preventive measures—e.g., checking databases such as the Death Master File—USDA agencies can better verify eligibility prior to disbursing payment, and thereby reduce improper payments.

Like IPERA and EO 13520, the “Do Not Pay List” requirements can strengthen USDA's efforts to reduce improper payments.⁴⁵ We projected that because Rural Development officials did not verify lenders' annual income calculations for loans, they awarded \$2.2 billion in loans to borrowers whose incomes exceeded program limits. Additionally, we projected that \$1.1 billion may have been loaned to borrowers who were ineligible due to questionable work histories and excessive debt.⁴⁶ By incorporating pre-payment and pre-award procedures and strengthening internal controls, USDA can minimize such improper payments.

In some cases, USDA has improved its reporting and reduced its improper payment rates. For example, the Supplemental Nutrition Assistance Program (SNAP) has decreased its error rate from 8.9 percent to 4.4 percent over the past 10 years, which represents a significant improvement given its \$50 billion budget for FY 2009. Yet, SNAP still reported \$2.2 billion in improper payments for FY 2009. USDA's proposed efforts to reduce such improper payments include implementing an action plan, policies, controls, and procedures, as well as creating aggressive correction plans to address root causes and internal control issues for each program. USDA also will provide departmental criteria for the Governmentwide “Do Not Pay List” website, which will allow agencies to verify eligibility against multiple databases prior to payment. As we continue to review USDA's work in preventing improper payments, we will determine if these and other agency actions are effective. We will also identify improper payment trends. Beginning in FY 2012, we will assess USDA's compliance with IPERA, as required by law.

⁴⁵ “Enhancing Payment Accuracy Through a ‘Do Not Pay List’” (*Federal Register*, Vol. 75, No. 120, June 18, 2010).

⁴⁶ Rural Development Guaranteed Single Family Housing Loans Made by Lenders to Ineligible Borrowers (04703-0002-CH, December 2010).

As USDA continues to address improper payments, we emphasize the importance and utility of complying with IPERA, EO 13520, and other requirements. USDA's agencies must not only recover improper payments, but also implement adequate reporting for improper payment estimates and error rates. From this, they need to identify root causes of overpayments and implement necessary internal controls to prevent future overpayments. If USDA takes these steps, the public can be more confident that USDA conscientiously and effectively accounts for, uses, and—when necessary—recovers taxpayer dollars.

Examples of Work We Anticipate Completing in the Future

- *NRCS – Review of Improper Payments.* This audit's overall objectives are to determine if NRCS' management controls are adequate to ensure program integrity and prevent improper payments. We will also evaluate what NRCS has done to reduce improper payments in accordance with EO 13520.
- *FNS – Analysis of SNAP Databases.* We will analyze data related to SNAP eligibility to identify anomalies that could result in improper payments, such as individuals who receive SNAP benefits in multiple States or who have incomes higher than the program allows.
- *USDA – Review of the Department's Purchase and Travel Card Data.* This audit will examine purchase and travel card use throughout the Department to identify improper payments.

Emerging Issues

We have identified emerging issues that may develop into management challenges. Some of these involve the entire Department while others relate to specific programs or activities.

- *APHIS' Animal Care.* In 2010, we completed three audits that examined different aspects of animal welfare: APHIS' administration of legislation designed to protect horses and ensure they are not slaughtered in the United States; its inspection of problematic dog dealers; and its licensing of animal exhibitors.⁴⁷ Although we have reached management decision on these audits, we continue to read news reports and receive allegations claiming violations of the Animal Welfare Act, and other abuses. These potential violations, along with sustained public attention, indicate that APHIS should show continued vigilance for animals' welfare.
- *NRCS' Conservation Performance Goals.* Through its Conservation Effects Assessment Project (CEAP), NRCS intends to better quantify the environmental benefits of conservation practices employed by those who participate in its programs. NRCS has completed two regional CEAP reports, but still needs comprehensive, Nationwide data to measure the overall effectiveness of its conservation programs and their strategic goal accomplishments.⁴⁸
- *USDA Agencies' Enforcement of Suspension and Debarment Regulations.* In our August 2010 audit of USDA agencies' enforcement of suspension and debarment regulations, we found, in general, that most USDA agencies are not using them to protect the Government from habitual program abusers.⁴⁹ These regulations have long been in place, but the Department has excluded many of its programs from their coverage. Recently, both a USDA rule and a Secretary's memorandum have reduced some exclusions. Continuing to expand agencies' use of suspension and debarment should help strengthen program integrity.^{50, 51}
- *USDA's and Agencies' Workforce Succession Planning.* As of April 2011, over half of USDA's senior executive service staff were eligible to retire (155 of 304), while a third of the Department's higher level general schedule (GS) grade staff—GS 11-15—were eligible as well (8,994 of 26,019). The following areas are of particular concern:
 - *Food Safety Inspector Staffing and Retention.* Recent food recalls and Congressional hearings have focused attention on FSIS' inspector staffing. USDA acknowledged in testimony to Congress that retaining FSIS inspectors is difficult in some areas, which may fuel a public perception that there are not enough to safeguard the food supply. This

⁴⁷ Animal and Plant Health Inspection Service Administration of the Horse Protection Program and the Slaughter Horse Transport Program (33601-2-KC, September 2010); Animal and Plant Health Inspection Service Inspections of Problematic Dealers (33002-4-SF, May 2010); and Controls over APHIS Licensing of Animal Exhibitors (33601-10-CH, June 2010).

⁴⁸ The two CEAP reports respectively covered cultivated cropland in the Upper Mississippi River Basin (June 2010) and the Chesapeake Bay Region (February 2011).

⁴⁹ Effectiveness and Enforcement of Suspension and Debarment Regulations in the U.S. Department of Agriculture (50601-14-AT, August 2010).

⁵⁰ *Federal Register*, September 22, 2010.

⁵¹ Establishment of the Debarment and Suspension Council (June 13, 2011).

issue is likely to persist because of FSIS' increasing duties, coupled with potential budget constraints. Alongside its traditional food inspection work, FSIS has taken on advanced public health responsibilities over the years, such as biosecurity. In part to address staffing issues, FSIS has undertaken a "pay for performance" test project for 2,800 employees, including all GS grades. We are currently auditing FSIS' assessment of potential inspection staff shortages at processing establishments.

- *Workforce Succession Planning for Firefighters.* FS lacks a national plan to manage its future firefighting workforce needs. With many employees approaching retirement, FS' firefighting workforce is particularly vulnerable. In 2009, approximately 26 percent of critical firefighters were eligible to retire, which will grow to 64 percent in 5 years and 86 percent in 10 years. Overall, those qualified for critical firefighter positions have an average age of 50, which means that FS will soon lose many of them, given mandatory retirement at 57 years for such positions.⁵² Since firefighter trainees take an average of 23 years to qualify for critical firefighting positions at self-determined paces, this situation becomes even more urgent. With an average trainee age of 45 and suboptimal training progress, many will be nearly eligible to retire by the time they qualify. FS is responding primarily by developing a new firefighting business model and approaching workforce issues through strategic planning and multi-agency coordination.
- *FSA's Reduced Workforce and Increased Responsibility.* FSA faces both increasing budget constraints and declining staff. According to FSA officials, permanent employees are at a record low (down 7 percent since 2006). FSA is proposing to reduce its staff by 10 percent in FY 2012, partly because it foresees that modernization, such as business re-engineering, will eventually ease the implementation burdens that come with new programs (e.g., those anticipated in the 2012 Farm Bill). If successful, modernizing operations should lower the workload on the FSA Headquarters staff implementing such programs and the field staff administering them. However, FSA still needs a comprehensive workforce succession plan. Currently, 30 percent of its employees are eligible to retire, and over 24 percent more will become eligible in the next 5 years. With over half its workforce soon to be retirement eligible, FSA's plan should balance modernization and a reduced workforce with continuing to provide quality services.
- *Redundant Federal Programs and Operations.* Both the President and Congress have cited the need to improve the Government's effectiveness by eliminating redundancies and consequent wasteful spending. For example, multiple Federal agencies and operations can have overlapping objectives or provide similar services. Government missions may also be fragmented across agencies and programs, which can lead to programs repeating each other's work. In March 2011, the President directed a review of all Departments and agencies involved with increasing trade, exports, and U.S. competitiveness.⁵³ To assist policymakers in this review, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) created an interdisciplinary working group. The group compiled OIG reports issued during

⁵² Personnel in any of FS' job series may qualify to hold any fire position, which is considered a collateral duty. Some staff work in positions with a mandatory retirement age of 57 while most others who participate in firefighting do not.

⁵³ Presidential Memorandum, *Government Reform for Competitiveness and Innovation* (March 11, 2011).

the last 5 years related to trade and competitiveness.⁵⁴ As it compiled the results, the group identified areas of program inefficiency, duplication, overlap, and other factors that adversely impact the Government's administration of international trade and competitiveness. USDA OIG plans to assess potential overlap or duplication in USDA programs by tailoring parts of planned audits to address the issue, and by examining various USDA programs for redundancy.

⁵⁴ *Compilation of Prior Inspector General Reports on International Trade and Competitiveness (May 2011).*

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Acronyms and Abbreviations

2002 Farm Bill	The Farm Security and Rural Investment Act of 2002
2008 Farm Bill	Food, Conservation, and Energy Act of 2008
AIPs	approved insurance providers
APHIS	Animal and Plant Health Inspection Service
BCAP	Biomass Crop Assistance Program
CEAP	Conservation Effects Assessment Project
CIGIE	Council of Inspectors General on Integrity and Efficiency
CIMS	Comprehensive Information Management System
CRES	Civil Rights Enterprise System
CSP	Conservation Security Program
<i>E. coli</i>	<i>Escherichia coli</i> 0157:H7
EEO	equal employment opportunity
EO	Executive Order
EPA	Environmental Protection Agency
FAS	Foreign Agricultural Service
FDA	Food and Drug Administration
FISMA	Federal Information Security Management Act of 2002
FS	Forest Service
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
FY	fiscal year
GAO	Government Accountability Office
GE	genetically engineered
GS	General Schedule
HACCP	Hazard Analysis and Critical Control Point
HIP	Hurricane Indemnity Program
IPERA	Improper Payments Elimination and Recovery Act of 2010
IT	information technology
NASS	National Agricultural Statistics Service
NRCS	Natural Resources Conservation Service
NRP	National Residue Program
OASCR	Office of the Assistant Secretary for Civil Rights
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
Recovery Act	American Recovery and Reinvestment Act of 2009
RHS	Rural Housing Service
RMA	Risk Management Agency
SNAP	Supplemental Nutrition Assistance Program
USDA	U.S. Department of Agriculture

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