



United States Department of Agriculture  
Office of Inspector General





UNITED STATES DEPARTMENT OF AGRICULTURE  
OFFICE OF INSPECTOR GENERAL



Washington, D.C. 20250

**INFORMATIONAL MEMORANDUM FOR THE SECRETARY**

FROM: Phyllis K. Fong  
Inspector General

August 10, 2012

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.<sup>1</sup> 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 one challenge from those included in last year's report—Challenge 8, which highlighted the need to carefully oversee the \$28 billion in American Recovery and Reinvestment Act (Recovery Act) funds provided to USDA agencies and programs. With spending from the Recovery Act winding down, OIG is concluding its work relating to these funds and how they were spent and expects to issue its last reports on this topic in the coming months.

We have also added a new challenge for USDA concerning the need to plan for succession and reduced staffing in many USDA agencies. For some time, the Federal Government has been anticipating the retirement of a significant portion of its experienced work force as employees of the Baby Boomer generation reach retirement age. Given the constrained budget situation, USDA must ensure that it has adequate staff in place to accomplish critical missions such as inspecting meat processing plants and overseeing billions of dollars in loans. We have therefore elevated this issue to Challenge 9.

Finally, we discuss several emerging issues that may develop into significant concerns: animal welfare, the reporting of performance measures, and duplication in USDA programs and operations.

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<sup>1</sup> Public Law 106-531.

We would like to close by expressing our appreciation to USDA Secretary Thomas J. Vilsack and Deputy Secretary Kathleen Merrigan for their ongoing support of our work and their commitment to excellence at USDA. We look forward to working with the Department to address the management challenges we describe and mitigate any 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 divides responsibilities for food research among several agencies, which also requires a high degree of intradepartmental 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 should increase organizational communication; streamline operations; reduce spending; and improve program efficiency, compliance, and integrity.

### **Farm Programs**

The importance of coordinating the delivery of various USDA programs was illustrated by the challenges the Animal and Plant Health Inspection Service (APHIS) and the Risk Management Agency (RMA) faced as they responded to the outbreak of citrus canker in Florida. In order to eradicate this disease, Florida took steps to remove infected trees and nearby trees that may have been exposed. These steps affected many Floridians who depend on citrus for their livelihood.

In response, USDA implemented three different programs to assist affected growers. APHIS implemented the Citrus Canker Lost Production Program and the Citrus Canker Tree Replacement Program to compensate eligible Florida commercial citrus growers for lost production and tree losses. Meanwhile, RMA modified one of its insurance products—the Florida Fruit Tree Pilot Crop Insurance Program—so that growers could be indemnified for citrus canker tree losses. Together, these three programs provided Florida citrus growers with significant benefits: APHIS, through its two programs, made \$474 million in payments to growers, and RMA, through its approved insurance providers, paid growers \$100.8 million for tree losses due to citrus canker.

Unfortunately, these three programs encountered coordination problems. First, APHIS did not coordinate with RMA to determine the amount of indemnity payments growers already received before APHIS calculated its payments, even though Federal regulations required APHIS to reduce its citrus canker lost production payments by the amount of any tree payments that growers received from RMA.<sup>1</sup> Due to these two agencies' failure to coordinate more closely, APHIS issued erroneous payments of \$1.1 million.

Similarly, APHIS did not report \$290.9 million in Citrus Canker Tree Replacement Program payments to the Internal Revenue Service (IRS) from fiscal year (FY) 2001 through FY 2007, even though these payments were for fruit-bearing trees, which are capital assets. This failure to

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<sup>1</sup> Title 7 Code of Federal Regulations 301.75-16(b)(2)(i), January 1, 2004.

coordinate with the IRS means that the Government has no assurance that growers properly reported tree replacement payments that may be subject to taxes.<sup>2</sup>

## **Agriculture-Related Research**

In response to Colony Collapse Disorder (CCD)—a disorder that interferes with honey bee pollination and endangers \$15 billion annually in added crop value—USDA led a Federal/non-Federal collaboration that took action to better understand the disorder and mitigate the damage to bee colonies. Four USDA agencies—the Agricultural Research Service, the National Institute of Food and Agriculture, APHIS, and the Natural Resources Conservation Service (NRCS)—collaborated to develop an action plan to address the CCD crisis through surveying and collecting data, analyzing samples, researching the causes of the disorder, and mitigating the disorder’s effects.

The CCD Action Plan and the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) prescribed CCD-related actions by the National Agricultural Statistics Service (NASS), RMA, and the Farm Service Agency (FSA). OIG audited these efforts and found that USDA’s implementation of the CCD Action Plan and CCD-related actions under the 2008 Farm Bill was adequate, except that USDA had not completed a comprehensive survey of bee colony losses and the resulting agricultural damage. This occurred because of insufficient funds and because the CCD Steering Committee did not adequately communicate the need for performing such a comprehensive survey. No one on the Steering Committee was specifically authorized or designated to ensure that all parts of the CCD Action Plan were completed and that funding problems were resolved.

We recommended that the Under Secretary for Research, Education, and Economics seek adequate funding and facilitate communications to conduct a comprehensive survey of honey bee colony production and health. Departmental officials agreed with the need to complete this survey but expressed concerns about their ability to fund it.

## **Examples of Work We Anticipate Completing in the Future**

- *Recovery Act Broadband Initiatives Program—Pre-approval Controls.* This audit is assessing the Rural Utilities Service’s (RUS) internal controls over the approval of broadband loan and grant applications and whether RUS effectively coordinated with the National Telecommunications and Information Administration of the Department of Commerce and the Federal Communications Commission.
- *USDA Controls over Shell Egg Inspections.* This audit is assessing USDA’s efforts to control contaminants such as *Salmonella* in shell eggs, an endeavor requiring extensive coordination both between USDA agencies and with the Food and Drug Administration (FDA), part of the Department of Health and Human Services.

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<sup>2</sup> USDA Payments for 2005 Citrus Canker Tree Losses (50099-0046-At, March 2011).

## **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.<sup>3</sup> 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 Federal Crop Insurance Program requirements. Approved insurance providers (AIP) have not always carried out their responsibilities to comply with program requirements and protect program integrity. The most recent OIG audit of this weakness found that AIPs circumvented established procedures for adjusting losses. They failed to follow either RMA's general loss procedures for adjusting citrus losses or the emergency loss procedures RMA issued to expedite Hurricane Wilma-related payments. Instead, they used procedures or allowed options that were not approved by RMA, resulting in overpaid indemnities totaling more than \$5.5 million.<sup>4</sup> AIPs stumbled at each stage, but RMA's oversight was not adequate to detect or prevent these missteps. Although RMA agreed to our recommended corrective actions in response to these 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 promoting program compliance and integrity.<sup>5</sup>

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, as well as 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 our most recent audits of four NRCS programs: the Wetlands Reserve Program, the Conservation Security Program, the program to rehabilitate flood control dams, and the Farm and Ranch

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<sup>3</sup> 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).

<sup>4</sup> Citrus Crop Indemnity Payments from Hurricane Wilma in Florida (05099-0029-At, September 2011).

<sup>5</sup> Risk Management Agency Compliance Activities (05601-0011-At, September 2009).



Lands Protection Program in Michigan.<sup>6</sup> In each, we found a significant number of 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 review of the Collection, Harvest, Storage, and Transportation Matching Payments portion 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 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 BCAP without creating an effective system of program-specific internal controls.<sup>7</sup> Instead, the agency used control tools from other programs (contracts, information technology (IT) support, etc.) and did not provide its staff with adequate guidance or oversight. This led to inequitable treatment of program participants and improper payments, among other problems.<sup>8</sup> The resources involved were significant—FSA spent over \$243 million on this portion of BCAP in 2009 and 2010.

Our review of the establishment of soil rental rates for FSA's Conservation Reserve Program (CRP) found that FSA lacks effective controls to ensure the reasonableness of the soil rental rates used for payments on CRP contracts. In 2010, FSA signed about 46,000 contracts involving about 4.3 million acres and annual payments totaling about \$200 million. Over the 10-year life of the contracts, FSA will pay producers about \$2 billion. In order to determine the CRP payment producers will receive for enrolling their land in the program, FSA calculates a soil rental rate, which is determined by multiplying the county average rental rate by the grouped soil productivity factor. We found that the agency did not adhere to policies and regulations it established to ensure the reasonableness of county average rental rates, and did not use the most recent NRCS soil productivity factors in calculating most of the approved soil rental rates. OIG calculated that the potentially unsupported rental payments could total as much as \$127 million over the 10-year life of the contracts. Further, we calculated that FSA's failure to use NRCS productivity data resulted in the questionable accuracy of \$1.4 billion in rental payments over the same timeframe.<sup>9</sup>

Such control issues can also have an effect on public safety and security. For example, we evaluated whether current laws and USDA regulations provide sufficient authority to control

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<sup>6</sup> Natural Resources Conservation Service Wetlands Reserve Program Wetlands Restoration and Compliance (10099-0004-SF, August 2008); Natural Resources Conservation Service Conservation Security Program (10601-0004-KC, June 2009); Rehabilitation of Flood Control Dams (10601-0001-At, July 2009); and Controls Over the Farm and Ranch Lands Protection Program in Michigan (10099-0003-Ch, September 2011).

<sup>7</sup> "Memorandum on Biofuels and Rural Economic Development," Daily Compilation of Presidential Documents (May 5, 2009).

<sup>8</sup> Biomass Crop Assistance Program: Collection, Harvest, Storage, and Transportation Matching Payments Program (03601-0028-KC, May 2012).

<sup>9</sup> Conservation Reserve Program: Soil Rental Rates (03601-0051-Te, July 2012).

genetically engineered (GE) animal and insect research.<sup>10</sup> 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 recent years, USDA agencies have continued to make steady progress in closing late audits and have generally been more timely in implementing corrective action plans in response to audit recommendations. 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."<sup>11</sup> When USDA and its agencies strengthen their overall internal controls, they also strengthen their programs.

### **Examples of Work We Anticipate Completing in the Future**

- *RMA: Validity of New Producers.* Our review is assessing how RMA has administered the new producer program procedures for the crop insurance program to prevent improper increases to yield guarantees.
- *NRCS Emergency Watershed Protection Program Floodplain Easements—Field Confirmations.* We are assessing whether: (1) program participants and land accepted for easements are eligible; (2) NRCS' methodology to select and acquire easements functions adequately to achieve program efficiency and obtain quality easements; and (3) the determined valuation results are fair compensation for the easement.
- *NRCS—Review of Compliance and Monitoring Activities.* This audit is determining if the agency's compliance and monitoring activities are adequate to strengthen program integrity and to reduce fraud, waste, and abuse.

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<sup>10</sup> Controls over Genetically Engineered Animal and Insect Research (50601-0016-Te, May 2011).

<sup>11</sup> 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).

## **Information Technology 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 via 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 critical 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.<sup>12</sup> 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 performed 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, respond adequately to incidents, 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. Along with the risk inherent in no longer having direct control over data, each time an employee reaches out from a smartphone, laptop, or desktop computer 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 needs to prepare for the associated risks. In particular, USDA must ensure that third-party service providers meet required 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.

In addition, like other Federal departments, USDA increasingly relies on smartphones and other handheld wireless devices to conduct its day-to-day business. These devices are small, inexpensive, and powerful, but their portability poses new security risks for Federal agencies.

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<sup>12</sup> For example, see the last 4 years of our FISMA audits: U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2011 Federal Information Security Management Act (50501-0002-12, November 2011); U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2010 Federal Information Security Management Act (50501-0002-IT, November 2010); U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2009 Federal Information Security Management Act (50501-0015-FM, November 2009); and U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2008 Federal Information Security Management Act Report (50501-0013-FM, September 2008).

Since smartphones can be easily lost or stolen, misplaced devices could be used to access, and potentially abuse, private or classified information. Given concerns about the security of the 10,000 wireless handheld devices deployed at USDA, we performed an audit to evaluate the Department's management and implementation of security measures over the use of mobile handheld device technology. During our audit we found that devices were not adequately secured, as defined by guidance issued by the National Institute of Standards and Technology. For example, we found wireless handheld devices that were not password protected, that had no anti-virus software installed, and that were not configured to encrypt removable media, among other deficiencies. We also found that not all of the Department's Blackberry servers were secured in accordance with Departmental guidance; users were able to disable their passwords or bypass the Department's internet content filters. Ultimately, these problems occurred because USDA chose to deploy wireless handheld devices using a decentralized approach, but did not provide its agencies with clear guidance on how they were to configure their devices and servers. OCIO has begun to implement the corrective actions proposed.<sup>13</sup>

Going forward, we believe USDA needs to lay the foundation for an effective, comprehensive IT security plan. We continue to note that 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 systematically mitigate them. Based on audit work conducted in FYs 2011 and 2012, we noted that OCIO did not strategically plan, prioritize, and manage its efforts to be more effective. For instance, we found that several of OCIO's projects did not meet the purposes outlined in its request to Congress for additional funding or address the Department's most critical IT security concerns. In addition, we noted that OCIO needs to adequately develop oversight mechanisms, communicate and coordinate within OCIO, plan projects, and determine how to effectively utilize its resources.<sup>14</sup>

Agency managers should also make IT security an ongoing top priority and commit to complying with Federal security requirements. However, our audit work found that in FYs 2011 and 2012, USDA management did not ensure that all requirements for domain name systems were met and that National Institute of Standards and Technology guidance was completely implemented and adhered to.<sup>15</sup> These requirements are essential for ensuring the security of data moved across USDA's networks.

With 33 agencies and offices to protect, each usually with its own IT infrastructure, managing IT security will remain a formidable responsibility for USDA.

### **Examples of Work We Anticipate Completing in the Future**

- *FY 2012 FISMA Report.* This audit is assessing USDA's IT security posture based on questions prepared by the U.S. Department of Homeland Security's National Cyber Security Division and OMB.

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<sup>13</sup> USDA's Management and Security Over Wireless Handheld Devices (50501-0001-IT, August 15, 2011).

<sup>14</sup> Audit of the Office of the Chief Information Officer's FYs 2010 and 2011 Funding Received for Security Enhancements (88401-0001-12, August 2012).

<sup>15</sup> USDA's Configuration, Management, and Security over Domain Name System Servers (50501-0001-12, April 2012).

- *Review of Selected Controls of the eAuthentication System.* Our objective is to obtain reasonable assurance concerning whether the application controls for eAuthentication operate effectively.
- *Review of the Procurement Operations Division.* This audit is evaluating the effectiveness of the controls USDA has in place to ensure the integrity of the requisition, solicitation, and procurement processes for IT contracts.

## **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. Similar lawsuits, known as *Keepseagle*, *Garcia*, and *Love*, have been filed 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 address 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, in 2007, we found that despite these improvements, many of the same issues remained, and we reinstated the challenge.<sup>16</sup> 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.

USDA continues to make concerted efforts towards decreasing complaint processing time. The April 2009 memorandum by the Secretary and testimony by the Assistant Secretary for Civil Rights outlined steps to improve issues related to equal employment opportunity (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 the Office of the Assistant Secretary for Civil Rights (OASCR) to implement management controls over handling complaints timely and consistently. 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.

OIG recently completed an audit reviewing how OASCR oversees agreements reached in program complaints.<sup>17</sup> We found that OASCR has significantly improved its monitoring of settlement agreements and closure of program complaints. In addition, we determined that OASCR improved the organization of case files in its file room and took steps to improve the

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<sup>16</sup> Review of the U.S. Department of Agriculture's Accountability for Actions Taken on Civil Rights Complaints (60601-0004-Hy, May 2007).

<sup>17</sup> Review of the Office of the Assistant Secretary for Civil Rights' Oversight of Agreements Reached in Program Complaints (60601-0001-23, August 2012).

program complaints process by hiring a contractor to conduct a review of OASCR's management processes. However, we determined that OASCR needs to strengthen its procedures for settlement agreements so that it can maintain current improvements, support its decisions, process cases timely, and report them accurately.

While we acknowledge that recent OASCR initiatives 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 USDA agencies and establish the necessary monitoring framework to intervene when complaint processing exceeds timeframes.

OIG also recently issued a "fast report" to the Assistant Secretary for Administration that advised Departmental Management to delay the announcement of the FY 2012 recipients for grants funded through the Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Program (Section 2501 Program). Our audit disclosed that the Office of Advocacy and Outreach had not adhered to the agency's draft policies and procedures, as well as the guidelines cited in the *Funding Opportunity Announcement* issued in November 2011, when selecting the FY 2012 applicants. Thus, we concluded that the applicants selected to receive the grants may not have been the most meritorious and deserving applicants. The selection of less meritorious applicants could negatively impact assistance to socially disadvantaged farmers and ranchers, and could expose the Department to unnecessary criticism and, potentially, even legal action.<sup>18</sup> USDA agreed and took action to address these problems.

### **Examples of Work We Anticipate Completing in the Future**

- *Review of Pigford II Adjudicated Claims.* As required by the Claims Resolution Act of 2010, this audit is reviewing *Pigford II* claims based on a statistical sample of adjudicated claims.

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<sup>18</sup> Controls over the Grant Management Process of the Office of Advocacy and Outreach—Section 2501 Program Grantee Selection for Fiscal Year 2012 (91011-0001-21, May 2012).

## **Proactive, Integrated Strategy Is Necessary To Increase Agricultural Commerce and Trade**

### ***(Challenge 5)***

Given the importance of U.S. agriculture to the economy—in 2011, the Nation’s farms and ranches produced \$409 billion in goods<sup>19</sup>—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 several factors, including 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 2011, U.S. agricultural exports totaled \$137 billion—an increase of 27 percent from the preceding fiscal year’s \$109 billion.

In this positive environment for U.S. agricultural goods, USDA’s challenge is to capitalize on the 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.<sup>20, 21</sup>

Developing a global market strategy for U.S. agricultural goods is especially vital because the Nation’s production is increasingly devoted to GE crops. In 2011, GE corn constituted 88 percent of all corn planted in the United States; GE cotton constituted 90 percent of planted cotton; and GE soybeans constituted 94 percent of soybeans planted.

While these products are, in many ways, beneficial for agriculture, USDA faces significant challenges related to exporting them. 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 purpose, scope, and methodology; (2) a statement of problems to be overcome; (3) goals and outcome-related performance measures; and (4) well-integrated internal and external partner accomplishments.<sup>22</sup>

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.

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<sup>19</sup> Value of agricultural sector production forecast for 2011, as of February 2012.

<sup>20</sup> Foreign Agricultural Service: Implementation of the Trade Title of the 2002 Farm Bill and the 2002 President’s Management Agenda (50601-0012-At, March 2007).

<sup>21</sup> 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.

<sup>22</sup> USDA’s Role in the Export of Genetically Engineered Agricultural Commodities (50601-0014-Te, February 2009).



USDA is in the process of developing such a strategy and should 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 Efforts To Enhance Agricultural Trade.* Our review is evaluating whether the Foreign Agricultural Service has developed and implemented measurable strategies and actions that are effectively aligned with the Department's strategic goals related to market access and trade promotion.

## **Forest Service 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, the Forest Service (FS) needs to ensure that it approaches complex budgetary and human resource management issues with the same dedication it brings to managing the Nation's lands. As the logistical challenges of managing vast natural resources have become 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 are challenging goals to balance. FS' budget is being stretched in many directions by competing factors, one of which is unregulated population growth in residential 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' 2012 budget dedicates \$317 million to reducing hazardous fuels in forests, these fuels are still accumulating faster than the agency can reduce them.

We found that as part of FS' efforts to improve the efficiency with which it operates, the agency could improve how it manages the "special use" permits it processes for a wide variety of purposes such as setting up communication relays, bottling spring water, and outfitting and guiding on Federal lands. Currently, FS processes thousands of applications and monitors more than 74,000 authorizations for over 180 types of uses, but lacks the authority to keep the fees it charges. In 2008, FS collected \$13.4 million for land use authorizations that it had to remit to the Department of the Treasury, but the Special Use Program had to turn away applicants due to a lack of resources for processing applications. Finally, we found that six out of nine FS regions had not periodically updated their fees based on the fair market value of the use of the land, nor were they adjusting the fees for inflation. As a result, authorization holders were paying much less in fees than the fair market value would indicate. Had the regions updated their minimum land use fees as required, we determined that FS could have collected nearly \$5.4 million in additional fees over the past 7 years.<sup>23</sup>

FS can also improve how it addresses issues resulting from the sale of private forest land with easements for residential development and commercial use—the mingling of residential developments and forestlands is a contributing factor to the high costs of fighting fires. This problem arises from the fact that FS and timber companies often share roads on national forest land. The Forest Roads and Trails Act (FRTA) authorizes FS to formalize agreements with timber companies on the maintenance and use of these shared roads.

While FS personnel are properly granting and acquiring easements, they are not prepared to effectively address the issues arising from the sale of private forest land with FRTA easements for residential development and commercial use. FS cannot stop development on private land or restrict access to FRTA roads, but it should assess risks, develop strategies to lessen the impacts

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<sup>23</sup> Forest Service Administration of Special Use Program (08601-0055-SF, June 2011).

of changing land use, and incorporate appropriate changes into the agency's planning rule and strategic plan. Further, to avoid confusion and dispute, FS should make further efforts to implement a FRTA easement amendment, which would clarify rights and responsibilities before successor landowners come into possession of the land, and provide sufficient guidance to local field staff on how to address landowner disputes once the land has already been sold.<sup>24</sup>

FS' mission of managing the forests is a complex undertaking. Fortunately, public awareness about the impact of 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 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**

- *Forest Service's Use of Recovery Act Funds to Reduce Hazardous Fuels and Restore Ecosystem on Non-Federal Lands.* Our review is determining whether FS and recipients of Recovery Act funds for hazardous fuels reduction and ecosystem restoration projects on non-Federal lands (1) complied with laws and regulations pertaining to Recovery Act funding; (2) selected projects that met eligibility and program requirements; (3) accurately accounted for and timely completed projects in accordance with award expectations; and (4) accurately and timely reported their accomplishments.
- *Forest Service's Use of Recovery Act Funds for Wildland Fire Management on Federal Lands.* Our review is evaluating the control systems of Recovery Act projects at field offices to ensure projects on Federal lands met the goals and requirements of the Recovery Act, and determining whether FS timely obligated and effectively spent Recovery Act funds.
- *Management of Oil and Gas Resources on National Forest System Land.* This audit is evaluating how FS approves oil and gas lease permit applications, monitors the operations it approves, and reclaims FS land.

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<sup>24</sup> Evaluation of Forest Service's Processes to Obtain and Grant Rights-of-Way and Easements (08601-0001-Ch, March 2012).

## **Food Safety Inspection Systems Need Improved Controls** *(Challenge 7)*

Because food-borne pathogens 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, the Food Safety and Inspection Service (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 regulations. Under this system, 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.<sup>25</sup>

As part of the effort to improve the data it gathers, FSIS is in the process of implementing its new Public Health Information System (PHIS) that will replace many of the agency's existing data systems. PHIS is expected to improve the way FSIS detects and responds to food-borne hazards.<sup>26</sup> 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 is in the process of evaluating how FSIS has implemented PHIS.

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 inspections, 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.<sup>27</sup> Though we found that this incident was not a result of systemic failure, we believe FSIS must develop

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<sup>25</sup> Implementation of Hazard Analysis and Critical Control Point Regulations (24001-0003-At, June 2000); Oversight of Production Process and Recall at ConAgra Plant (24601-0002-KC, September 2003); Advance Meat Recovery Products, Phase 3 (50601-0010-KC, January 2006); Issues Impacting the Development of Risk-Based Inspection at Meat and Poultry Processing Establishments (24601-0001-Hy, December 2007).

<sup>26</sup> PHIS has four components—domestic, import, export, and predictive analytics, which is a function of each component. As of January 2012, the domestic module, along with its predictive analytic function, became operational. The import module became operational in May 2012, and the export module is scheduled for implementation in 2013.

<sup>27</sup> 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 taken action in response to these events, such as issuing a policy that requires all non-ambulatory disabled cattle to be condemned and appointing an ombudsman who is responsible for humane handling issues.

According to the Humane Methods of Slaughter Act, livestock may only be slaughtered by humane methods—FSIS is responsible for enforcing the Act’s provisions in USDA-inspected plants. When inspectors observe a humane handling violation, they issue a noncompliance record or take other enforcement actions to suspend plant operations, and establishments can appeal any inspection decision. At the request of the Under Secretary for Food Safety, OIG reviewed humane handling noncompliance records and other enforcement actions that were subsequently appealed by plant management to higher FSIS management levels. We determined that FSIS procedures were adequate and FSIS followed its established procedures to appropriately address the appeals we reviewed. Our analysis of the data did not reveal any negative trends or systemic problems related to inconsistent treatment or unfounded actions to grant or deny appeals in particular establishments across the country. We acknowledge that FSIS has taken recent steps to improve inspectors’ understanding of humane handling requirements and educate them on the procedures to follow when a noncompliance is observed. We made no specific recommendations in this report, but we did suggest that FSIS consider how PHIS could be better utilized to track and monitor appeals of humane handling noncompliance records.<sup>28</sup>

At the request of Congress, OIG has also reviewed the testing FSIS performs to detect *Escherichia coli* O157:H7 in U.S. beef "trim." In the first phase of this work, we examined the statistical validity of how FSIS tests for *E. coli* O157:H7 and found that FSIS’ trim sampling program does not have a sufficient statistical basis to detect contaminated product with high confidence from a food safety standpoint. The agency did not evaluate or justify the contamination level for *E. coli* O157:H7 that is associated with its N-60 sample size and confidence level—essentially, the amount of contaminated trim that might slip through its testing system without being detected. For example, we found that, if *E. coli* O157:H7 contamination level is very low, FSIS is more likely to miss contamination than to detect it. We recommended that FSIS reevaluate its sample parameters (size and confidence level) and redesign the sampling program, which FSIS has agreed to do.<sup>29</sup>

In the second phase of our *E. coli* O157:H7 audit, we found that, since consumers ultimately rely on industry’s testing and interventions to keep our beef *E. coli* O157:H7 free, it is critically important that, when plants receive multiple positive test results (otherwise known as "high event" periods), the plants respond appropriately to these spikes in *E. coli* O157:H7 contamination. We found, however, that FSIS has not issued detailed and sufficient guidance for defining industry plans for high event days and setting forth the agency’s expectations for how industry should react. Also, we found that FSIS needs to consider shifting more of its testing resources to sampling trim, instead of ground beef, for *E. coli* O157:H7. At present, each year FSIS collects and tests many more samples of raw ground beef than trim (about 12,300

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<sup>28</sup> Review of Appeals of Humane Handling Noncompliance Records (24601-0002-31, April 2012).

<sup>29</sup> FSIS Sampling Protocol for Testing Beef Trim for *E. coli* O157:H7 (24601-0009-KC, February 2011).

compared to 1,270 in 2011), even though data strongly indicate that positive test results are more likely to be found in trim than raw ground beef.<sup>30</sup>

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.

### **Examples of Work We Anticipate Completing in the Future**

- *FSIS Inspection and Enforcement Activities at Swine Slaughterhouses.* We are determining if FSIS' controls are sufficient to ensure that (1) pre-slaughter activities at swine slaughterhouses are in compliance with food safety requirements, (2) swine slaughterhouses meet the standards of humane handling and humane slaughter, and (3) appropriate enforcement actions have been taken against violators.
- *FSIS E. coli Testing of Boxed Beef.* During our previous work on *E. coli* O157:H7 testing, we became aware of potential issues involving downstream processors that were frequently grinding boxed beef products. This audit is determining whether (1) FSIS is sampling boxed beef products as required by agency procedures; (2) FSIS is entering plant profile data correctly into PHIS to ensure the plant is eligible for trim or bench trim sampling requests; (3) industry's "trace back" documentation is adequate and used effectively to determine the source when *E. coli* O157:H7 is found; and (4) industry is identifying or labeling boxed beef products as "not intended for grinding" and how this impacts food safety.
- *Implementation of the Public Health Information System for Domestic Inspection.* We are evaluating the progress of FSIS' implementation of PHIS for domestic inspections.

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<sup>30</sup> Application of FSIS Sampling Protocol for Testing Trim for *E. coli* O157:H7 (246001-0001-13, May 2012).

## **Efforts To Identify, Report, and Reduce Improper Payments Need To Be Strengthened** *(Challenge 8)*

USDA delivers approximately \$189 billion in public services annually through more than 300 programs. In FY 2011, USDA reported that 16 of its programs were vulnerable to significant improper payments ("high risk" programs) and estimated \$5.4 billion in improper payments for that year—a 5.36 percent error rate. This rate remained the same from FY 2010, and leaves the Department with an opportunity to realize considerable cost savings by continuing to reduce its improper payments.

Improper payments occur when funds go to the wrong recipient, an ineligible recipient receives a payment, the proper recipient receives an incorrect amount of funds, documentation is not available to support a payment, or the recipient uses funds in an improper manner. According to OMB's Controller, not all improper payments are fraud (i.e., most payment errors are inadvertent) or waste (i.e., a significant amount of error is based on missing documentation that later proves to be correct), but all improper payments affect the integrity of Government programs and compromise citizens' trust in government.

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) strengthened Federal improper payment reduction efforts through rigorous reporting and preventative measures.<sup>31</sup> These measures do not simply require more stringent reporting, but also help agencies reduce improper payments by identifying underlying problems. They also require OIGs to evaluate agencies' progress in implementing these requirements. On the whole, OIG noted that as USDA agencies become increasingly familiar with the new requirements, their reports are more compliant. However, over the past 4 years, we have found that USDA continues to struggle to fully comply with some requirements, particularly those involving USDA's reporting practices and preventative measures.

In FY 2011, USDA and its agencies submitted the required reports, but in some instances left out critical information or provided information that was inaccurate. The problems we observed varied from agency to agency. For example, the Food and Nutrition Service (FNS) did not report estimates for improper payments in one of its high risk programs because it is pursuing multiple projects to develop an estimate of improper payments for the Family Day Care Homes Meal Claims component of the Child and Adult Care Food Program. As a Department, USDA did not fully comply with four of seven reporting requirements.<sup>32</sup> USDA's overall noncompliance occurred because the Office of the Chief Financial Officer (OCFO) has not fully developed its reporting process to ensure that it reports all required information and that USDA agencies meet

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<sup>31</sup> 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" (Finding and Recapturing Improper Payments (Federal Register Vol. 75, No. 49) and Enhancing Payment Accuracy Through a "Do Not Pay List" (Federal Register /Vol. 75, No. 120)).

<sup>32</sup> Fiscal Year 2011 Improper Payment Elimination and Recovery Act of 2010 Compliance Review (50024-0001-11, March 2012).

their reduction targets. OCFO continues to work on enhancing internal controls—including guidance, oversight, and second party reviews—over the improper payment reporting process.

OIG has recently completed several projects intended to assist USDA agencies as they reduce their rate of improper payments. For example, based on a statistical sample of 122 FSA farm assistance program payments, we identified 14 errors that resulted in improper payments totaling \$54,408. By using this sample to project improper payments for the entire universe of FSA farm assistance program payments, OIG estimated the total dollars improperly paid were about \$28 million. This is an improvement over the \$43 million in payments identified the previous year. FSA accepted OIG’s recommendation to implement more effective second party reviews over the manual calculation process.<sup>33</sup>

Similarly, OIG evaluated NRCS’ national-level management controls over identifying and reporting improper payments under IPERA and an executive order concerning high-dollar overpayments.<sup>34</sup> We found that NRCS must improve its IPERA reviews, particularly in the area of eligibility. We questioned the accuracy of NRCS’ FY 2011 improper payment estimate of \$11 million, and believe that it is understated by at least \$9 million. We also found that NRCS did not develop a dependable and centralized method for recording, tracking, and monitoring improper payments. NRCS’ identification of high-dollar overpayments was also hampered by the absence of a formal process.

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 3.8 percent over the past 11 years, which represents a significant improvement given its \$71.8 billion budget for FY 2011. Yet FNS still reported that it made an estimated \$2.5 billion in improper SNAP payments for FY 2010. USDA’s proposed efforts to reduce such improper payments include implementing policies, controls, and procedures, as well as creating aggressive corrective action plans to address root causes and internal control issues for each USDA high risk program.

As part of OIG’s ongoing efforts to help minimize fraud, waste, and abuse within SNAP, OIG is completing a series of audits analyzing 10 States’ participant databases.<sup>35</sup> State agencies are required to check participants’ information against Federal and State databases to ensure, for example, that people using deceased individuals’ social security numbers do not receive benefits, or that participants’ submitted income is the same as is listed in official records. We reviewed

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<sup>33</sup> Fiscal Year 2011 Farm Service Agency Farm Assistance Program Payments (03401-0001-11, May 2012).

<sup>34</sup> NRCS Improper Payment Review (10024-0001-11, April 2012).

<sup>35</sup> Analysis of Kansas’ Supplemental Assistance Program Eligibility Data (27002-0001-13, November 2011); Analysis of Florida’s Supplemental Assistance Program Eligibility Data (27002-0002-13, November 2011); Analysis of Louisiana’s Supplemental Assistance Program Eligibility Data (27002-0003-13, January 2012); Analysis of Alabama’s Supplemental Assistance Program Eligibility Data (27002-0004-13, January 2012); Analysis of Mississippi’s Supplemental Assistance Program Eligibility Data (27002-0005-13, January 2012); Analysis of Texas’ Supplemental Assistance Program Eligibility Data (27002-0006-13, March 2012); Analysis of Missouri’s Supplemental Assistance Program Eligibility Data (27002-0007-13, March 2012); Analysis of Massachusetts’ Supplemental Nutrition Assistance Program Eligibility Data (27002-0008-13, April 2012); Analysis of New Jersey’s Supplemental Nutrition Assistance Program Eligibility Data (27002-0009-13, April 2012); and Analysis of New York’s Supplemental Assistance Program Eligibility Data (27002-0010-13, June 2012).



10 States and found a total of 27,044 recipients who may have received improper payments totaling up to approximately \$3.7 million monthly.

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. Based on their reporting efforts, agencies 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**

- *FNS—Analysis of SNAP Databases.* This audit is determining whether FNS and States are effectively using available tools to monitor SNAP. It will also evaluate the integrity of amounts FNS reports for recipient and retailer fraud.
- *USDA—Fiscal Year 2011, Executive Order 13520, Reducing Improper Payments, High-Dollar Report Review.* This audit is reviewing FY 2011 quarterly high-dollar reports and assessing the level of risk associated with the applicable programs, determining the extent of oversight warranted, and providing the agency head with recommendations, if any, for modifying the agency's plans.

## **Planning Needed for Succession Planning and Reduced Staffing (Challenge 9)**

For some time, USDA, like most of the Federal Government, has been anticipating the retirement of a significant portion of its experienced workforce as employees of the Baby Boomer generation reach retirement age. 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 potential problems inherent in this generational shift in USDA's workforce have been magnified by the need to trim the Federal budget and the need to accomplish more with fewer employees. Agencies have not always been able to hire new employees to replace those who are retiring and, in some critical areas, they may be operating with too few employees to accomplish their mission.

One of the areas where staff shortages are likely to draw attention is the staffing of FSIS' inspector positions; these inspectors perform labor-intensive work the public relies on for food safety. 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 personnel to safeguard the food supply. Alongside its traditional food inspection work, FSIS is also facing expanded responsibilities for biosecurity, food defense, and public health science, even as it deals with budgetary constraints.

In response, FSIS has taken several steps to improve the efficiency with which it conducts its work. PHIS, FSIS' new information system, should help the agency make better use of inspectors' time in slaughter plants; should provide the agency with the tools to stay ahead of food safety threats by more rapidly and accurately identifying emerging trends, patterns, and anomalies in data; and should enable FSIS to respond more quickly when threats occur. FSIS has also initiated a compensation test project called the Public Health Human Resources System. This is a new human resources pay-for-performance system that changes the way employees are compensated. FSIS hopes that this system will eventually help the agency reduce the number of unfilled positions, increase the retention of high performers, separate low performers, and increase hiring timeliness. Finally, FSIS is currently proposing a modernization of young chicken and turkey slaughter inspection procedures in the United States by focusing FSIS inspection resources on areas that pose the greatest risk to food safety.

Despite the steps FSIS has taken, we still see the agency's inspector staffing as a challenge for the Department. In one of our recent audits, we were unable to determine if an inspection staffing shortage exists because certain information is not being tracked by FSIS. We did find that inspectors were not always able to comply with FSIS policy to visit processing establishments at least once per day and per operating shift, often due to factors like inclement weather.<sup>36</sup>

One of USDA's agencies facing particularly deep staff cuts is FSA. In January 2012, the Secretary announced that FSA, along with other agencies, will soon be undergoing a major

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<sup>36</sup> Assessment of FSIS Inspection Personnel Shortages in Processing Establishments (24601-0011-Hy, April 2012).

restructuring, intended to build a modern and efficient agency by consolidating offices and reducing staff. While these decisions respond to the realities of USDA's current and future budgetary circumstances, as well as to changing demographics, FSA will still likely be forced to accomplish many of its program objectives with fewer employees, which may have negative consequences.

For example, our audit of FSA's Farm Storage Facility Loan Program found that FSA county offices did not always process, approve, and service these loans according to the agency's policies and procedures, at least partially because they were not staffed properly. Since FSA is likely to see reductions in its staffing in the coming years, OIG believes the agency needs to reconsider how it delivers the program, possibly streamlining the approval, processing, and servicing of loans to include only those factors that are essential and training its employees so that they are better able to review and service loans.<sup>37</sup>

OIG is also concerned about the staffing situation at Rural Development where, from September 2007 to April 2012, the agency lost approximately 15 percent of its full-time equivalents at both its National office and about 500 local offices throughout the country. Many of these losses took place immediately after Rural Development obligated billions of dollars of Recovery Act funds. Rural Development will need to strategize and plan wisely not only for succession planning, but to maintain servicing and monitoring efforts on a portfolio that has grown significantly even as the agency's staff has dwindled.

Such changes in the Federal workforce are unavoidable, particularly given the pressure on the overall Federal budget. USDA, however, must be careful to ensure that, even as it reduces its staffing in certain agencies, it maintains its ability to accomplish mission-critical functions such as meat inspection and the servicing of billions of dollars in loans.

### **Examples of Work We Anticipate Completing in the Future**

- *The Food Safety and Inspection Service and Agricultural Marketing Service—Challenges of the Workforce at Beef Establishments.* Our objective is to determine if USDA's methods of compensating for a limited workforce maximize staff resources for its inspectors and do not adversely affect program delivery at beef plants.
- *Forest Service Contracting Practices.* Our review is determining whether FS had adequate controls in place—including succession plans for agency staff as they relate to contracting processes—to ensure that agency contracts are awarded competitively. We are also determining if FS is in compliance with Federal acquisition regulations.

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<sup>37</sup> FSA's Farm Storage Facility Loan Program (03601-0001-32, June 2012).

## Emerging Issues

*APHIS' Animal Care.* APHIS continues to work towards implementing corrective action to address the recommendations OIG made in 2010. These recommendations were the result of 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.<sup>38</sup> Although we have reached management decision on these audits, we continue to receive allegations claiming violations of the Animal Welfare Act and other abuses. These potential violations, along with sustained public attention, indicate that APHIS needs to continue to heighten its vigilance over animal welfare.

*Redundant Federal Programs and Operations.* Both the President and Congress have cited the need to improve the Government's effectiveness by eliminating redundant programs that result in wasteful spending. In March 2011, the President directed a review of all Departments and agencies involved with increasing trade, exports, and U.S. competitiveness.<sup>39</sup> To assist policymakers in this review, the Council of the Inspectors General on Integrity and Efficiency created an interdisciplinary working group that compiled OIG reports, including USDA OIG audits, issued during the last 5 years relating to trade and competitiveness.<sup>40</sup> 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. 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. As part of this effort, OIG has upcoming work to identify potential duplication, overlap, and redundancies within FNS' 15 nutrition programs.

*USDA's Performance Measures.* While the Government Performance Results Act (GPRA) Modernization Act of 2010 requires agencies to report the actions taken by programs as outcomes clearly linked to the program's goal,<sup>41</sup> our audits of both Recovery Act and non-Recovery Act programs have consistently identified performance measures as an area in need of improvement. Audit after audit has shown that agency and program goals are not clearly articulated, that their performance measures tend to report outputs rather than outcomes, or that the data they are reporting is of questionable accuracy. If USDA does not report accurate and meaningful outcome-based performance measures, then policymakers will not be receiving the information they need to make appropriate funding decisions. Since USDA should soon be fully implementing new GPRA modernization guidelines issued in April 2011, OIG will again revisit this issue to determine if USDA is making progress towards adequately addressing this emerging issue.

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<sup>38</sup> Animal and Plant Health Inspection Service Administration of the Horse Protection Program and the Slaughter Horse Transport Program (33601-0002-KC, September 2010); Animal and Plant Health Inspection Service Inspections of Problematic Dealers (33002-0004-SF, May 2010); and Controls over APHIS Licensing of Animal Exhibitors (33601-0010-Ch, June 2010).

<sup>39</sup> Presidential Memorandum, *Government Reform for Competitiveness and Innovation* (March 11, 2011).

<sup>40</sup> Compilation of Prior Inspector General Reports on International Trade and Competitiveness (May 2011).

<sup>41</sup> Public Law 111-352.

## Audits Cited by Agency

### *Animal and Plant Health Inspection Service*

- Controls over Genetically Engineered Animal and Insect Research (50601-0016-Te, May 2011)
- Animal and Plant Health Inspection Service Administration of the Horse Protection Program and the Slaughter Horse Transport Program (33601-0002-KC, September 2010)
- Animal and Plant Health Inspection Service Inspections of Problematic Dealers (33002-0004-SF, May 2010)
- Controls over APHIS Licensing of Animal Exhibitors (33601-0010-Ch, June 2010)

### *Farm Service Agency*

- Biomass Crop Assistance Program: Collection, Harvest, Storage, and Transportation Matching Payments Program (03601-0028-KC, May 2012)
- Conservation Reserve Program: Soil Rental Rates (03601-0051-Te, July 2012)
- FSA's Farm Storage Facility Loan Program (03601-0001-32, June 2012)

### *Food and Nutrition Service*

- Food and Nutrition Service Financial Statements for Fiscal Years 2010 and 2009 (27401-0035-Hy, November 2010)
- Analysis of Kansas' Supplemental Assistance Program Eligibility Data (27002-0001-13, November 2011)
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- Analysis of New York's Supplemental Assistance Program Eligibility Data (27002-0010-13, June 2012)

### *Foreign Agricultural Service*

- Foreign Agricultural Service: Implementation of the Trade Title of the 2002 Farm Bill and the 2002 President's Management Agenda (50601-0012-At, March 2007)

### *Forest Service*

- Forest Service Large Fire Suppression Costs (08601-0044-SF, November 2006)
- Forest Service Administration of Special Use Program (08601-0055-SF, June 2011)
- Evaluation of Forest Service's Processes to Obtain and Grant Rights-of-Way and Easements (08601-0001-Ch, March 2012)

### *Food Safety and Inspection Service*

- Evaluation of FSIS Management Controls over Pre-Slaughter Activities (24601-0007-KC, November 2008)
- Assessment of FSIS Inspection Personnel Shortages in Processing Establishments (24601-0011-Hy, April 2012)
- Application of FSIS Sampling Protocol for Testing Trim for *E. coli* O157:H7 (24601-0001-13, May 2012)
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- Review of Appeals of Humane Handling Noncompliance Records (24601-0002-31, April 2012)
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### *Natural Resources Conservation Service*

- Natural Resources Conservation Service Wetlands Reserve Program: Wetlands Restoration and Compliance (10099-0004-SF, August 2008)
- Natural Resources Conservation Service Conservation Security Program (10601-0004-KC, June 2009)
- Rehabilitation of Flood Control Dams (10601-0001-At, July 2009)
- Natural Resources Conservation Service Improper Payment Review (10024-0001-11, April 2012)

### *Office of the Assistant Secretary for Civil Rights*

- Review of the Office of the Assistant Secretary for Civil Rights' Oversight of Agreements Reached in Program Complaints (60601-0001-23, August 2012)
- Controls over the Grant Management Process of the Office of Advocacy and Outreach—Section 2501 Program Grantee Selection for Fiscal Year 2012 (91011-0001-21, May 2012)

### *Office of the Chief Information Officer*

- U. S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2011 Federal Information Security Management Act (50501-0002-12, November 2011)
- U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2010 Federal Information Security Management Act (50501-0002-IT, November 2010)
- U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2009 Federal Information Security Management Act (50501-0015-FM, November 2009)
- U.S. Department of Agriculture, Office of the Chief Information Officer, Fiscal Year 2008 Federal Information Security Management Act Report (50501-0013-FM, September 2008)
- Office of the Chief Information Officer's FYs 2010 and 2011 Funding Received for Security Enhancements (88401-0001-12, August 2012)
- USDA's Configuration, Management, and Security over Domain Name System Servers (50501-0001-12, April 2012)

### *Risk Management Agency*

- Risk Management Agency 2005 Emergency Hurricane Relief Efforts (05099-0028-At, March 2009)
- Citrus Crop Indemnity Payments from Hurricane Wilma in Florida (05099-0029-At, September 2011)
- Risk Management Agency Compliance Activities (05601-0011-At, September 2009)

### *USDA*

- USDA Payments for 2005 Citrus Canker Tree Losses (50099-0046-At, March 2011)
- Review of the U.S. Department of Agriculture's Accountability for Actions Taken on Civil Rights Complaints (60601-0004-Hy, May 2007)
- USDA's Role in the Export of Genetically Engineered Agricultural Commodities (50601-0014-Te, February 2009)
- Fiscal Year 2011 Improper Payment Elimination and Recovery Act of 2010 Compliance Review (50024-0001-11, March 2012)
- Effectiveness and Enforcement of Suspension and Debarment Regulations in the U.S. Department of Agriculture (50601-0014-At, August 2010)

## Acronyms and Abbreviations

<b>Abbreviation</b>	<b>Full Name</b>
2008 Farm Bill	The Food, Conservation, and Energy Act of 2008
AIP	approved insurance provider
APHIS	Animal and Plant Health Inspection Service
BCAP	Biomass Crop Assistance Program
CCD	Colony Collapse Disorder
CRP	Conservation Reserve Program
EEO	equal employment opportunity
EO	executive order
FDA	Food and Drug Administration
FISMA	Federal Information Security Management Act of 2002
FNS	Food and Nutrition Service
FRTA	The Forest Roads and Trails Act
FS	Forest Service
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
FY	fiscal year
GE	genetically engineered
GPRA	Government Performance Results Act
GS	general schedule
IPERA	The Improper Payments Elimination and Recovery Act of 2010
IRS	Internal Revenue Service
IT	information technology
NASS	National Agricultural Statistics Service
NRCS	Natural Resources Conservation Service
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
PHIS	Public Health Information System
Recovery Act	American Recovery and Reinvestment Act of 2009
RMA	Risk Management Agency
RUS	Rural Utilities Service
SNAP	Supplemental Nutrition Assistance Program
USDA	U.S. Department of Agriculture



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