



United States
Department of
Agriculture

Office of
Inspector
General

No. 58
November 2007

Office of Inspector General Semiannual Report to Congress

FY 2007 – 2nd Half



Key OIG Accomplishments in This Reporting Period

RESULTS IN KEY CATEGORIES

SUMMARY OF AUDIT ACTIVITIES

Reports Issued

Number of Reports	23
Number of Recommendations	83

Management Decisions Made

Number of Reports	30
Number of Recommendations	261

Total Dollar Impact (Millions)

Of Management-Decided Reports	\$79.6
Questioned/Unsupported Costs	\$59.8
Funds To Be Put to Better Use	\$19.8

SUMMARY OF INVESTIGATIVE ACTIVITIES

Reports Issued	163
--------------------------	-----

Impact of Investigations

Indictments	353
Convictions	341
Arrests	952

Total Dollar Impact (Millions)	\$19.7
--	--------

Administrative Sanctions	87
------------------------------------	----

OIG MAJOR USDA MANAGEMENT CHALLENGES (August 2007)

- 1) Interagency Communications, Coordination, and Program Integration Need Improvement
Related material can be found on pages 17-18.
- 2) Implementation of Strong, Integrated Management Control (Internal Control) Systems Still Needed
Related material can be found on pages 6-10 and 18-20.
- 3) Continuing Improvements Needed in Information Technology Security
Related material can be found on page 16.
- 4) Implementation of Improper Payment Act Requirements Needs Improvement
Related material can be found on page 20.
- 5) Departmental Efforts and Initiatives in Homeland Security Need To Be Maintained
Related material can be found on pages 2, 4, and 13.
- 6) Material Weaknesses Continue To Persist in Civil Rights Control Structure and Environment
Related material can be found on page 16.
- 7) USDA Needs To Develop a Proactive, Integrated Strategy To Assist American Producers To Meet the Global Trade Challenge
Related material can be found on page 17.
- 8) Better Forest Service Management and Community Action Needed To Improve the Health of the National Forests and Reduce the Cost of Fighting Fires
Related material can be found on pages 23-24.
- 9) Improved Controls Needed for Food Safety Inspection Systems
Related material can be found on pages 3.

Message From the Inspector General

I am pleased to provide the Semiannual Report to Congress for the Office of Inspector General (OIG), U.S. Department of Agriculture (USDA), for the 6-month period that ended September 30, 2007. This report summarizes the most significant OIG activities during the period by our three strategic goals for FY 2004 through FY 2007, as shown below.

- **Safety, Security, and Public Health** – Our investigative work saw guilty pleas in two major dogfighting cases—one involving a professional athlete—as well as a substantial prison sentence for a man who poisoned his two young children. Our audit work determined that the Food Safety and Inspection Service needs to modernize its control processes for egg products processing inspections.
- **Integrity of Benefits and Entitlements Programs** – Our audits disclosed the need to improve controls in several feeding programs, as well as areas of the farm, crop insurance, and rural development loan programs. Our investigations resulted in substantial sentencings and money recoveries for schemes to defraud the food stamp, farm, rural development, and market access programs. These cases included two instances of post-Hurricane Katrina food stamp fraud in which the individuals involved had claimed to live on the Mississippi Gulf Coast but actually lived elsewhere and had suffered no damage to their residences as a result of the hurricane.
- **Management of Public Resources** – Our audit work found the need for further improvements in information technology security, accountability for actions taken on civil rights complaints, conservation easements, monitoring and oversight over funds provided to the 1994 Land-Grant Institutions, controls over insurance for rural housing borrowers, certain National Finance Center controls, and the Farm Service Agency's identification and reporting of improper payments in its high-risk program. Our inspection work found that better coordination was needed in the implementation of a departmental regulation on international activities and agreements. Our investigative work yielded a number of sentencings for bribery, embezzlement, setting wildfires, and counterfeiting.

During this reporting period, we conducted successful investigations and audits that led to 952 arrests, 341 convictions, \$19.7 million in recoveries and restitutions, 210 program improvement recommendations, and \$79.6 million in financial recommendations. Among the program improvement recommendations, the Food and Nutrition Service agreed to finalize Federal food stamp regulations pertaining to disaster assistance, and Civil Rights agreed to develop a detailed formal plan to process equal employment opportunity complaints timely and effectively.

These monetary and program improvement results would not have been possible without the strong commitment on the part of former Secretary Johanns, Acting Secretary Conner, and the Congress to improve USDA programs and operations. Their continuing interest, support, and trust are vital to our success.



Phyllis K. Fong
Inspector General

Contents

Safety, Security, and Public Health	1
Integrity of Benefits and Entitlements Programs	6
Management of Public Resources	15
Gauging the Impact of the OIG	25
Abbreviations of Organizations	42

Safety, Security, and Public Health

OIG Strategic Goal 1:

Support USDA in the enhancement of safety and security measures to protect USDA and agricultural resources and in related public health concerns

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

In the second half of fiscal year (FY) 2007, we devoted 17.7 percent of our total audit and investigative resources to Goal 1, with 99.5 percent of these resources assigned to critical/high impact work. A total of 84.8 percent of our audit recommendations under Goal 1 resulted in management decision within 1 year, and 65 percent of our investigative cases had criminal, civil, or administrative action taken. OIG issued one audit report under Goal

1 during this reporting period and a total of four during the full fiscal year. OIG's investigations under Goal 1 yielded 165 indictments, 221 convictions, and \$579,680 in monetary results during this reporting period and a total of 177 indictments, 233 convictions, and about \$1.2 million in monetary results during the full fiscal year.

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 1

Professional Athlete's Dogfighting Ring Broken Up in Virginia

In July and August 2007, four individuals, including a professional athlete, pled guilty in Federal court to conspiracy to travel in interstate commerce in aid of unlawful activities and to sponsor a dog in an animal-fighting venture that took place on the grounds of the professional athlete's home in Surry, Virginia, from 2001 to 2007. Located on the grounds were structures specifically designed for breeding, housing, and fighting dogs. In addition, 66 dogs, including 53 pit bulls, as well as 13 other dogs of mixed breeds believed to be pets, were seized

Management Challenges Addressed Under Goal 1

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

by State authorities when they executed a search warrant on the property. The U.S. Attorney's Office pursued Federal court actions to seize and forfeit the 53 pit bulls from the State to assume custody for evidence. The 13 other dogs were nonfighting breeds, and were not part of the seizure order issued by Federal court. Sentencing is pending on all four individuals. This investigation was conducted jointly with the Surry County Sheriff's Office and the Virginia State Police.

Investigation of Multi-State Dogfighting Enterprise Yields Currency, Illegal Drugs, and Firearms in "Operation Bite Back"

An OIG investigation of an underground dogfighting and gambling organization operating in Ohio, Kentucky, and Michigan resulted in the filing of charges against 56 individuals, 44 of whom have pled guilty to charges involving violations of State and Federal laws prohibiting dogfighting, possession of firearms, gambling, food stamp trafficking, and interstate transportation of stolen vehicles. Electronic Benefits Transfer (EBT) fraud, wagering, sale and use of narcotics, illegal firearms, and the sale of stolen property were observed during the dogfights. Search warrants resulted in the seizure of pit bulls, U.S. currency, marijuana, cocaine, firearms, a bulletproof vest with a ski mask, and a warehouse full of dogfighting equipment and blood-stained fighting pits. The investigation was conducted jointly with the Ohio Organized Crime Investigations Commission (OOCIC). There are currently two fugitives outstanding in this case. The investigation is ongoing.



These shelters for fighting dogs were found during the investigation in Surry, Virginia. OIG photo.

Emergency Response Program (ERP) Update

OIG continues to enhance the capabilities of both the Emergency Response Team (ERT) and the Wildland Fire Investigations Team (WFIT), which are part of the OIG ERP. These two teams have unique missions. The ERT responds to and investigates threats or attacks against the Nation's food supply, agriculture infrastructure, or USDA interests, and also provides expertise to government agencies at all levels. The WFIT conducts statutorily required independent investigations of any Forest Service (FS) firefighter deaths caused by wildfire entrapment or burnover, and reports to Congress and the Secretary of Agriculture on the results of such investigations.

Activities enhancing the capabilities of these teams included hands-on training exercises that transpired during this reporting period. In one exercise, the ERT participated in a forensic dig to recover the corpse of a decomposing pig. The purpose was to enhance skills for dealing with the possible biological hazards of a decomposing animal while effectively recovering evidence. The ERT also participated in a full-field exercise with the Federal Bureau of Investigation's (FBI) Hazardous Materials Response Unit, that dealt with an intentional release of foot-and-mouth disease.

Our newly appointed WFIT members attended the Basic Wildland Fire Academy in Boise, Idaho, which is the only academy in the country to use live fire exercises for training. Other experienced WFIT members took advanced courses in Crew Boss Training, Incident Commander Type 4 Training, and Followership to Leadership Training. Such training



WFIT members took part in a live fire training exercise. OIG photo.

better prepares team members to fulfill their responsibilities safely and securely when investigating an FS firefighter death caused by wildfire entrapment or burnover.

Georgia Father Sentenced to 60 Months of Imprisonment for Poisoning His Children

A Stockbridge, Georgia, man was sentenced to 60 months of imprisonment and 36 months of supervised release in April 2007 after having pled guilty in Federal court for food tampering in February 2007. On three occasions, the man claimed that his two young children had been harmed by eating contaminated soup. The younger child, 18 months old, had to be airlifted to an Atlanta hospital for critical care. A sample of the soup submitted to a Food and Drug Administration (FDA) laboratory for analysis tested positive for Prozac and other anti-depressants. The investigation revealed that the father was responsible for contaminating the soup. As part of the sentencing, the judge ordered the man to have no contact with his children. This investigation was conducted jointly with USDA's Food Safety and Inspection Service (FSIS); the Clayton County, Georgia, Police Department; and the FDA.

Two Texas Companies Sentenced and Fined for Misbranding Meat Products

In April 2007, two closely held and related Texas companies pled guilty in Federal court and were sentenced to 12 months of probation and ordered to pay \$10,250 in fines for misbranding meat products. One of the companies sold adulterated meat products to a retail store in New Mexico. Additionally, portions of the invoices failed to properly and consistently identify the meat products as being from cattle more than 30 months old at time of slaughter. This information is required to be disclosed because of bovine spongiform encephalopathy (BSE, or "mad cow disease") concerns. No adulterated meat reached consumers.

FSIS Needs To Modernize Its Control Processes for Egg Products Processing Inspections

Since 1995, FSIS has administered USDA's responsibilities under the Egg Products Inspection Act of 1970. However, we found that FSIS has not yet integrated this area of operations into its overall management control structure, including the science-based Hazard Analysis and Critical Control Point (HACCP) program and the automated Performance-Based Inspection System (PBIS). FSIS increasingly depends on PBIS and other automated systems to provide safeguards and oversight of its meat and poultry inspection operations. However, these automated systems cannot be extended to egg processing inspections until a system of electronic records is established to record inspection data for this area, raising concerns about potential adulteration of processed products. We also found that although FSIS noted deficiencies in Canadian egg products processing plants in 2003, agency officials did not visit such plants when they reviewed Canadian meat and poultry establishments in 2005, reducing assurance that these problems have been corrected.

FSIS is developing a proposed rule that would require egg products processing plants to develop and implement HACCP systems. In addition, in response to our recommendations, FSIS agreed to develop a new IT system to track domestic inspection activities, including egg products processing, which will replace PBIS. FSIS also agreed to conduct trend analyses to identify serious or widespread deficiencies at egg products processing plants and correct them. Finally, FSIS included egg products processing plants in the May 2007 Canadian equivalency review and agreed to include egg products processing plants in future reviews. (Audit Report No. 24601-8-Ch, Egg Products Processing Inspection)

GOVERNMENT-WIDE ACTIVITIES – GOAL 1

Review of Legislation, Regulations, Directives, and Memoranda

- *Draft Environmental Impact Statement and Request for Comments Regarding Organisms and Products Altered or Produced Through Genetic Engineering (GE)*. OIG reviewed and commented on regulatory revisions being considered by the Animal and Plant Health Inspection Service (APHIS) regarding organisms and products altered or produced through genetic engineering. OIG commented that APHIS should set forth in the statement its authority to conduct onsite inspections and other monitoring duties and that APHIS should indicate directly or by reference its authority to impose penalties and sanctions for a permit holder's noncompliance with the permit requirements. OIG also noted that there appears to be some uncertainty as to the scope of the proposed multi-tiered permitting system; specifically, whether it will include genetically engineered animals and insects that fall under the purview of the Plant Protection Act of 2000. We believe that APHIS needs to include such genetically engineered organisms under the proposed permitting system to ensure consistency in APHIS' regulatory processes across the spectrum of these genetically engineered organisms.
- The Assistant Inspector General for Investigations participated in meetings to discuss the impact that the proposed "Combat Illegal Logging Act of 2007" would have on Federal agencies tasked with its enforcement. The act would halt the trade of illegal timber and timber products, and would expand the Lacey Act, which currently regulates trade in fish, wildlife, and plants. The meetings were chaired by the White House Council on Environmental Quality. This legislation is pending.

Participation on Committees, Working Groups, and Task Forces

- An OIG Special Agent-in-Charge is a member of the Executive Committee for the third annual International Symposium on Agro-Terrorism, scheduled for April 2008 in Kansas City, Missouri. The 12-member Executive Committee includes personnel from law enforcement organizations, Federal and State agriculture-related agencies, and private agriculture groups. The Executive Committee plans the agenda; identifies and contacts guest speakers and presenters; forms subcommittees; and takes care of other logistics. This symposium brings together attendees and presenters from around the world to meet, discuss, and prepare for agro-terrorism-related issues. The two prior symposiums drew 1,200 attendees and 70 speakers/presenters, including representatives of USDA OIG.
- An OIG investigator is serving on the Maryland Agriculture Working Group, sponsored by the FBI's Weapons of Mass Destruction coordinator for the Baltimore Division. The group consists of law enforcement, emergency management, and public safety officials from Federal, State, and local governments within the FBI's Baltimore investigative jurisdiction (Maryland and Delaware). The group is writing a communications plan to assist in coordinating and responding locally to a food and/or agriculture event of significance.
- In August 2007, OIG Investigations participated in Emergency Support Function-13, Public Safety and Security, on an on-call basis in response to Hurricane Dean. Emergency Support Function-13 provides a mechanism to support State and local authorities' incident management requirements, including force protection, security planning, and technical assistance for public safety in pre-incident and post-incident situations.
- OIG investigators participated on the Avian Influenza Task Group, consisting of members from USDA, the U.S. Department of Homeland Security (DHS), and the U.S. Department of the Interior. This group's ongoing responsibility is to address action items in the National Avian Influenza Implementation Plan.
- An OIG investigator is assigned to the FBI's National Joint Terrorism Task Force (NJTTF). The agent attends the NJTTF threat briefings and provides a variety of products related to terrorist intelligence to OIG and other agencies and offices within the Department. OIG investigators nationwide are assigned to the FBI's local Joint Terrorism Task Forces (JTTFs). OIG's participation on the JTTFs has provided an excellent conduit for sharing critical law enforcement intelligence and has served to help broaden the knowledge of the FBI and other law enforcement agencies about conducting criminal investigations with a nexus to the food and agriculture sector.

ONGOING AND PLANNED REVIEWS FOR GOAL 1

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

- risk-based inspection (FSIS),
- FSIS' processes for handling meat and poultry recalls,
- FSIS oversight of meat and poultry imports,
- controls over animal import centers (APHIS),
- Food Emergency Response Network (FSIS),
- implementation of PBIS enhancements for specified-risk materials (SRM) violations and improved inspection controls over SRMs (FSIS),
- APHIS – inspection of breeders,
- APHIS monitoring of adverse reporting,
- team inspections/vacancy rates (FSIS),
- FSIS food defense verification procedures,
- oversight of the National Organic Program (Agricultural Marketing Service (AMS)),
- impact of Investigative and Enforcement Services on APHIS programs,
- controls over the detection of foreign animal diseases (APHIS),
- Plant Protection and Quarantine program (APHIS),
- safeguards over hazardous materials used for the control of pests (APHIS),
- followup for APHIS licensing of animal exhibitors,
- BSE maintenance sampling – phase IV (APHIS),
- implementation of flood control dams rehabilitation (Natural Resources Conservation Service (NRCS)),
- followup on prior firefighter safety audits (FS),
- USDA controls over genetically engineered animals and insects (Agricultural Research Service (ARS), Cooperative State Research, Education, and Extension Service (CSREES), and APHIS), and
- rural critical-access hospitals (Rural Housing Service (RHS)).

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

Integrity of Benefits and Entitlements Programs

OIG Strategic Goal 2:

Reduce program vulnerabilities and enhance integrity in the delivery of benefits to individuals

OIG conducts audits, inspections, and investigations to ensure or restore integrity in the various benefit and entitlement programs of USDA, including a variety of programs that provide payments directly and indirectly to individuals or entities. The size of these programs is daunting: the Food Stamp Program (FSP) alone accounts for nearly \$32 billion in benefits annually, while over \$20 billion annually is spent on USDA farm programs. Their intended beneficiaries include the working poor, hurricane and other disaster victims, and schoolchildren, as well as farmers and producers. These programs support nutrition, farm production, and rural development.

In the second half of FY 2007, we devoted 42.7 percent of our total audit and investigative resources to Goal 2, with 88.4 percent of these resources assigned to critical/high-impact work. A total of 73.1 percent of our audit recommendations under Goal 2 resulted in management decision within 1 year, and 79.8 percent of our investigative cases had criminal, civil, or administrative action taken. OIG issued 12 audit reports under Goal 2 during this reporting period and a total of 25 audit reports during the

full fiscal year. OIG investigations under Goal 2 yielded 179 indictments, 102 convictions, and about \$18.5 million in monetary results during the reporting period and a total of 283 indictments, 176 convictions, and about \$60 million in monetary results during the full fiscal year.

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 2

Oversight of Disaster Food Stamp Programs (DFSP) Needs Improvement

We found that Louisiana, Mississippi, and Texas did not have DFSP plans in place that met all requirements of the Food Stamp Act and the Food and Nutrition Service (FNS) handbook after the 2005 hurricanes. FNS, through the participating State agencies, quickly provided nutrition assistance benefits to millions of disaster victims; however, we noted some areas needing improvement. Because food stamp regulations relating to disaster assistance have not been finalized and do not provide specific requirements for DFSP plans, States considered the FNS handbook to be guidance and not mandatory and, therefore, did not ensure that their plans included the components listed in the handbook. The plans lacked such key components as fraud prevention plans. In addition, all three States had control weaknesses in processing applications for DFSP benefits.

MANAGEMENT CHALLENGES ADDRESSED UNDER GOAL 2

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

FNS agreed to finalize Federal food stamp regulations pertaining to disaster assistance to specify State agency responsibilities for developing, testing, and implementing disaster assistance programs; develop and implement procedures detailing how FNS regional offices will review State DFSP plans and determine their adequacy; and require States to test their disaster systems used to process applications to ensure controls are in place for properly processing applications. (Audit Report No. 27099-49-Te, DFSP for Hurricanes Katrina and Rita – Louisiana, Mississippi, and Texas)

Five Individuals Ordered To Pay \$900,000 in Restitution for EBT Fraud

In April and May 2007, five individuals were sentenced in Federal court in the District of New Jersey to pay \$900,000 in restitution for their role in discounting EBT benefits for cash at a Trenton, New Jersey, grocery store. From October 2003 to April 2005, the five were involved in a food stamp benefit trafficking scheme involving approximately \$1 million in fraud. Four were ordered to pay \$200,000 each in restitution and the other \$100,000. Two were sentenced to terms ranging from 15 to 18 months, another received 6 months of home confinement to be followed by probation, and the remaining two received probation. This investigation was conducted jointly with the U.S. Secret Service.

Owner of Manhattan Grocery Store Ordered To Pay \$1.5 Million for Food Stamp Fraud

The owner of a Manhattan grocery store was sentenced in April 2007 to serve 60 months in prison and 36 months of probation, and was ordered to pay restitution of \$1.5 million for his role in discounting approximately \$3 million in food stamps for cash. The individual has been a fugitive from justice and had to be extradited from the Dominican Republic. OIG conducted this investigation in the late 1990s. After the owner was arrested and released on bail, he fled to the Dominican Republic. The U.S. Marshals Service obtained an extradition order, arrested the owner in the Dominican Republic, and returned him to the United States to face charges.

Mississippi Woman and Housemate Ordered To Repay More Than \$26,000 in Hurricane Katrina Fraud Scheme

A Canton, Mississippi, woman and a housemate were sentenced for making false claims to FNS for EBT food stamps and to the Federal Emergency Management Agency (FEMA) for alleging home damage from Hurricane Katrina. The woman and her housemate, both food stamp recipients, claimed to live on the Mississippi Gulf Coast but actually lived elsewhere and had suffered no damage to their residence as a result of Hurricane Katrina. In June 2007, the woman was sentenced in U.S. District Court for the Southern District of Mississippi to serve 3 months in prison, followed by 36 months of probation, and ordered to pay \$24,052 in restitution. In April 2007, the housemate was sentenced to 36 months of probation and 40 hours of community service, and ordered to pay \$2,358 in restitution. This investigation was conducted jointly with DHS OIG.

Hurricane Katrina Investigation Results in Guilty Pleas for Two Mississippi Residents

Two central Mississippi food stamp recipients were sentenced in U.S. District Court, Southern District of Mississippi, for food stamp fraud. They had made false statements to FEMA by certifying that their home was located on the Mississippi Gulf Coast and destroyed by Hurricane Katrina, when it was actually located 3 hours north in Canton and suffered no damage. The first individual was sentenced to 36 months of probation and 40 hours of community service, and ordered to pay \$2,000 in restitution. The second was sentenced to 36 months of probation and 40 hours of community service, and ordered to pay \$8,112 in restitution. This investigation was conducted jointly with DHS OIG.

Joint Investigation Results in Extending Sentence for Repeat Offender of Food Stamp Fraud

In June 2007, a former upstate New York grocery store owner was sentenced to serve 30 months in prison and 36 months of probation, and ordered to pay \$330,074 in

restitution for redeeming more than \$1 million in illegal electronic food stamp benefits since 2005. The former store owner is presently serving a 33-month prison sentence from a March 1999 conviction in Federal court for money laundering and food stamp trafficking in a food stamp fraud case in Ohio. Before his sentencing in the 1999 case, the former store owner fled Ohio and, in 2002, became the owner of a grocery store in New York. The judge ordered the sentences to run consecutively—amounting to a total of 63 months. This investigation was conducted jointly with the Internal Revenue Service and the Syracuse, New York, Police Department.

Puerto Rico Needs To Improve Controls Over Vendor Management Operations in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

In the last 3 years, the Food and Nutrition Service (FNS) identified 38 management weaknesses or areas of regulatory noncompliance in the Puerto Rico Health Department's (PRHD) administration of WIC. We found that, despite problems and delays in PRHD's response to these weaknesses, FNS had not invoked its statutory authority to withhold nutrition service administration funds when satisfactory corrective steps had not been taken. FNS had sanctioned PRHD previously, but not during this time period. FNS officials stated that continual personnel changes in PRHD management delayed the implementation of corrective action. In response to the audit, FNS has required PRHD to develop a corrective action plan (CAP) with timeframes for correcting all unresolved identified program weaknesses. The CAP also requires that a full-time or equivalent administrator at the State level be assigned to the program.

We also identified several control weaknesses related to PRHD's management of vendor operations that PRHD did not correct, despite the issues being cited in management evaluations or other FNS technical assistance and oversight efforts. The regulatory violations included: (1) not fully reconciling food instruments issued to participants since FY 2000; (2) not conducting required compliance investigations; (3) permitting the use by vendors of in-store credits; (4) not removing from its program the 33 products that failed to meet Federal nutritional requirements; and (5)

compromising the vendors' bidding process by releasing the consumption factor (rate at which products are consumed by participants) of products, which allowed vendors to calculate bid prices and thereby increase overall food costs. These weaknesses are also included in the CAP. (Audit Report No. 27004-4-At, WIC in Puerto Rico)

Three California Summer Food Service Program (SFSP) Sponsors Did Not Ensure Food Safety and Effective Program Administration

FNS' SFSP provides breakfast and lunch to children in low-income areas when they are not enrolled in school. SFSP is operated by sponsors that are administered by the respective State Departments of Education. We reviewed four private nonprofit sponsors in California and Nevada participating in the program in 2006. We found no reportable issues in Nevada. In California, the State agency generally carried out its responsibilities but needed to improve sponsor oversight.

We found that three California sponsors' administration of SFSP resulted in unsafe food handling and storage; they did not ensure that food was refrigerated at the temperature required for food safety. The sponsors also submitted unallowable, inaccurate, and unsupported claims for reimbursement to FNS, resulting in questionable payments totaling \$53,635.

FNS agreed to instruct the State agency to (1) revise its procedures to better ensure compliance with safe food handling, (2) bill the three sponsors for \$53,635 in overpayments, and (3) coordinate with FNS to determine whether the most deficient sponsor should be terminated from program participation if it did not take immediate corrective action. (Audit Report No. 27099-34-SF, SFSP in California and Nevada)

EBT Processor's System Created Account Imbalances and Excessive Refunds

We found that the largest EBT processor for food stamps used a standard system configuration that did not include a process to track unapplied benefits over time. (Unapplied

benefits are created when refunds are posted to a household's account but no corresponding benefit record exists in the grant file.) As a result, State agencies may not be able to perform required reconciliations and validate the fiscal integrity of the EBT system. In addition, the processor's method of handling refunds could lead to excessive numbers of such transactions and the misuse of Food Stamp Program (FSP) funds. In New York, 16 FSP recipients received 737 fraudulent and 287 potentially fraudulent refunds during FYs 2005 and 2006, totaling nearly \$100,000. In California, FSP recipients received 217 potentially fraudulent refunds during FYs 2006 and 2007 for more than \$23,000. This audit was a continuation of our efforts to monitor EBT operations for the FSP nationwide.

FNS agreed with our recommendations to require the States to work with the processor to strengthen controls over unapplied benefits and balancing accounts on the EBT system, and implement controls to limit excessive refunds. (Audit Report No. 27099-69-Hy, JPMorgan Electronic Financial Services' Oversight of EBT Operations)

Questionable Quota Holder Payments in the Tobacco Transition Payment Program (TTPP)

The TTPP provides annual transitional payments (funded through assessments) beginning in FY 2005 for 10 years to eligible tobacco quota holders (landowners of farms to which tobacco quota was assigned) and producers of quota tobacco. During FYs 2005 and 2006, the Farm Service Agency (FSA) issued \$1.3 billion in TTPP payments to eligible tobacco quota holders. We concluded that FSA generally had adequate controls. We reviewed 318 payments to TTPP quota holders other than the quota holders of record in the TTPP, and questioned payments totaling \$438,711 for 17 cases in which acceptable documentation of claimed quota ownership was not on file. FSA agreed to (1) spot-check changes in quota holders to ensure ownership changes are supported by acceptable documentation or placed in dispute (unpaid) until such documentation is provided and (2) review the questioned payments and recover any portions of that amount that FSA determines were issued to other than eligible quota holders.

We also reviewed 33 common ownership transfers (quota holders can transfer a quota from one to another of their own tracts on the same farm) of flue-cured tobacco quotas. We found three cases in which a software problem led to incorrect base quota levels for TTPP purposes, causing two TTPP contracts to be overstated by a combined \$26,992 and one contract to be understated by \$2,828. FSA agreed to review the three transfers in question, correct the base-quota-level data, and recompute the TTPP contracts. (Audit Report No. 03601-12-At, TTPP/Quota Holder Payments and Flue-Cured Tobacco Quotas)

Missouri Bank President and Wife Plead Guilty to Defrauding FSA

After pleading guilty to theft and bank fraud charges, a Missouri bank president was sentenced in Federal court in August 2007 to serve 27 months in prison followed by 60 months of probation, and ordered to pay \$315,413 in restitution. He was also barred from having any future employment with a bank. Similarly charged, his wife was sentenced to serve 4 months of home confinement, followed by 60 months probation, and ordered to pay \$81,985 in restitution. From October 2001 to August 2004, the couple had provided false information in order to obtain a loan from the husband's bank, as well as a loan from FSA, totaling approximately \$274,700. The bank president also pled guilty to providing false information to another financial institution in an attempt to obtain other personal loans. This investigation was conducted jointly with the FBI and the Federal Deposit Insurance Corporation OIG.

Oklahoma Financial Institution Agrees To Pay More Than \$1.4 Million in Civil Settlement for Inflating Interest Rates on FSA-Guaranteed Loans

In May 2007, an Oklahoma financial institution entered into a settlement agreement with the U.S. Attorney's Office for the Western District of Oklahoma and agreed to pay \$1.41 million. The OIG investigation revealed that, from 1995 to 2001, the financial institution charged interest rates that were not comparable for guaranteed loans versus non-guaranteed loans. It was concluded that all of the

selected guaranteed loan borrowers were charged a variable rate of “prime + 3 percent,” with one exception of “prime + 2 percent.” However, for those loans where it could be determined how the interest rate was calculated by the financial institution, the non-guaranteed loan rates were either fixed or variable at a rate of “prime + 1 percent” or less.

Producer Sentenced to Prison in Conversion Investigation

In March 2007, a producer in Illinois was sentenced to serve 15 months in prison, followed by 36 months of probation, and ordered to pay \$198,629 in restitution for conversion of mortgaged property. The OIG investigation disclosed that in the spring of 2002 the producer had converted corn that was secured as collateral for a \$251,550 FSA loan. The producer sold, for his own use, approximately 129,000 bushels of corn pledged as security for the FSA loan.

Management Controls Generally Were in Place To Process Future Losses Attributed to Asian Soybean Rust (ASR)

OIG determined that although the Risk Management Agency (RMA) provided sufficient guidance and instruction to approved insurance providers (AIP), AIPs did not require their crop insurance agents to inform producers of disease control measures and RMA’s procedures for documenting attempts to control ASR. RMA had issued a memorandum in 2005 requiring AIPs to inform producers that they could be ineligible for indemnities if they do not document their attempts to prevent and control ASR outbreaks. RMA recommended that producers document ASR damages to receive indemnities in order to facilitate the process. In response, the AIPs mailed out copies of the memorandum accompanied with pamphlets about ASR and crop insurance to producers. However, of 30 judgmentally selected insured producers, 9 had not received any information concerning ASR through their crop insurance agents or AIPs. We attribute this to crop insurance agents not following up with producers to ensure that they understood RMA’s terms for coverage. AIPs suggested, but did not require, that their crop insurance agents discuss ASR with insured producers.

While we did not make any formal recommendations, we suggested that RMA remind AIPs and their crop insurance agents and loss adjusters that they need to take appropriate actions to ensure that their policyholders have followed good farming practices with respect to ASR and documented whatever precautions the policyholders may have taken before the AIPs can approve and issue indemnities for any loss claims resulting from ASR. (Audit Report No. 05099-113-KC, ASR)

\$500,000 Restitution and 5-Year Debarment for Former North Texas Crop Insurance Agent and His Associates

A former north Texas crop insurance agent and his associates entered into a settlement agreement in May 2007 with the U.S. Attorney’s Office for the Northern District of Texas. They agreed to pay \$500,000 in restitution and accepted a 60-month debarment from all USDA programs. The OIG investigation revealed that the former agent and his associates knowingly made false claims and statements to USDA relating to their 1999 cotton and grain sorghum farm program and indemnity payments. This civil action followed the related criminal prosecution and the November 2004 conviction of a producer who submitted false claims to USDA.

Insurance Company Supervisor and Adjuster Guilty of Crop Insurance Fraud

In May 2007, an insurance company adjuster was sentenced to serve 24 months of probation and ordered to pay \$240,301 in restitution for his part in a crop insurance fraud scheme. His supervisor had been sentenced in Federal court earlier in 2007 to serve 5 months in prison, home detention, and supervised release, and ordered to pay \$240,301 in restitution. The supervisor had misrepresented a Virginia producer’s tomato production records and documents, resulting in the producer illegally receiving \$308,573 in Federal crop insurance indemnity payments for purported losses on tomatoes. The supervisor backdated forms to ensure that the producer’s planting dates met those approved by RMA, and recorded false production totals to ensure that the producer would realize a loss. The adjuster

made false statements by signing production worksheets to make it appear that he had visited the producer's fields when he had not. The producer was not aware of the actions taken by the supervisor and the adjuster to get the claim paid.

Louisiana Producer Ordered To Pay More Than \$300,000 to FSA and RMA for False Statements and Money Laundering

In June 2007, an Oak Grove, Louisiana, producer was sentenced in the Western District of Louisiana to serve 16 months in prison, followed by 60 months of supervised release, and ordered to pay restitution of \$200,000 to FSA and \$102,072 to RMA. The producer had been charged in 2006 with making false statements, mail fraud, conversion of mortgaged property, and money laundering. In April 2002, the producer applied for a \$200,000 FSA farm-operating loan and falsely stated on the application that she did not have crop insurance. During the OIG investigation, it was further disclosed that the producer falsely reported her 2002 sweet potato crop planting, submitted false claims to RMA, illegally received \$102,072 in indemnity payments, and did not apply any of the proceeds to her loan.

Two Georgia Producers Sentenced for Crop Insurance Fraud

In August 2007, two tobacco producers each were sentenced in the Southern District of Georgia to 48 months of probation and fined \$80,000 after having pled guilty in March 2007 to misprision of a felony. The two producers paid a combined \$739,000 in restitution before entering their guilty pleas. One was also ordered to resign from the Georgia Tobacco Growers Association and the Flue Cured Tobacco Stabilization Board in North Carolina. The producers conspired with another individual to grow their crops in his name because the "nominee" producer had a higher production yield, which resulted in larger crop insurance payments between 2000 and 2004. In June 2006, the producers were charged with conspiracy, false statements to RMA and FSA, and money laundering. The "nominee" cooperated in the investigation and received a pretrial diversion.

Lender's Origination and Servicing Did Not Comply With Rural Development's (RD) Requirements

We audited a \$5.4 million loan guaranteed by RD's Mississippi State office at the request of the agency. RD was concerned because the lender had disbursed approximately half the loan funds although not a single unit of the proposed 90-unit project had been constructed. We found that before RD issued the guarantee, the lender failed to ensure that the project's contractor had the required experience and that the borrower had the financial capacity to undertake the project. Also, the lender did not obtain RD's concurrence with the project's plans and specifications and did not ensure that RD's guarantee was in place before starting construction. After construction began, RD issued the guarantee, but the lender failed to (1) have an independent inspector review ongoing construction and (2) maintain documentation to support expenses claimed on the request for loan funds. We concluded that the lender's failure to originate and service the loan in accordance with direction provided by RD provided sufficient grounds for the agency to recover all funds expended toward the guarantee. RD agreed to (1) recover \$2,369,110 from the lender, including any applicable interest, fees, or any other subsequent payments that are made; (2) refer the administrative record to its Suspension and Debarment Official for action against the lender; and (3) closely monitor the remaining section 538 loans in the lender's portfolio. (Audit Report No. 04601-9-SF, Lender's Origination and Servicing of a Loan – Mississippi)

Bribery Scheme Involved RD Foreclosure Sales

Based on information brought to OIG's attention by a Government employee, an auctioneer and three investors were sentenced for crimes related to an attempt to bribe the employee with \$13,000. The employee made OIG aware of the offer, cooperated in the investigation, and accepted the money under OIG control. The bribes were paid to further a scheme to defraud RD and misrepresent actual sales prices of USDA-financed homes that the auctioneer sold and the investors purchased at a public auction. In May 2007,

in the United States District Court, Eastern District of Washington, the auctioneer was sentenced to 36 months of probation and 300 hours of community service, ordered to pay a \$15,000 fine, forfeited the \$3,000 bribery payment, and was debarred from participating in foreclosure sales of Government properties. In October 2006, one investor was sentenced to serve 720 hours of community service and ordered to pay a \$90,000 fine, and forfeited his \$10,000 bribery payment. In March 2007, another investor was sentenced to 12 months of probation, ordered to pay a \$10,000 fine, and similarly debarred. Sentencing is pending for the remaining investor.

Settlement Agreement Recovers \$200,000 in Misused Contract Monies

The Director of the U.S. Meat Export Federation (USMEF) in Seoul, South Korea, misused approximately \$200,000 in Market Access Program funds provided by the Foreign Agricultural Service (FAS). The Director also awarded contracts funded by FAS and USMEF to a public relations company that he and his wife owned and operated. The former Director and most of the witnesses live in South Korea and could not be compelled to testify in U.S. Federal court. However, the Director was separated from employment with the USMEF. In addition, a settlement agreement was reached between FAS and USMEF whereby USMEF will remit \$200,000 to FAS. This investigation was conducted jointly with the FBI.

GOVERNMENTWIDE ACTIVITIES – GOAL 2

Review of Legislation, Regulations, Directives, and Memoranda

- *Violent Crime and Anti-Terrorism Act of 2007.* OIG reviewed the U.S. Department of Justice’s (DOJ) proposed legislation entitled the “Violent Crime and Anti-Terrorism Act of 2007.” Section 311(g) of the act proposed to create a new section in the United States Code, 18 U.S.C. § 988, authorizing the summary forfeiture of contraband. OIG expressed concern that the definition of “contraband” was written broadly enough to include cash or other items of value exchanged for food stamp benefits. However, pursuant to 7 U.S.C. § 2024(g), such cash and items are already subject to forfeiture in accordance with regulations promulgated by the Secretary of Agriculture at 7 C.F.R. § 271.5. OIG suggested, therefore, that a technical or clarifying amendment might be necessary, if the intent of the proposal is to supersede 7 U.S.C. § 2024(g).

Participation on Committees, Working Groups, and Task Forces

- In response to the devastation in the Gulf Coast caused by Hurricanes Katrina, Rita, and Wilma, the President’s Council on Integrity and Efficiency (PCIE) Homeland Security Roundtable created a Disaster Recovery Working Group, now entering its third year. USDA OIG and 17 other Inspectors General have been meeting on a quarterly basis to discuss their experiences in auditing and investigating hurricane recovery efforts. Topics covered, in addition to the ongoing work, include coordination between Departments, data-sharing to prevent duplicate assistance, contracting issues, preparation for future disasters, and overall lessons learned.
- OIG continues to work with the PCIE/Executive Council on Integrity and Efficiency (ECIE) and DHS working groups in Washington, D.C., Mississippi, and Louisiana to coordinate efforts related to Hurricanes Katrina and Rita investigations, disaster recovery, and information sharing. Most of our cases are worked jointly with the DHS and Department of Housing and Urban Development OIGs to determine the validity of disaster claims. The claims in those cases revealed that food stamp recipients used their EBT cards in eligible retail stores located other than on the Gulf Coast, thus establishing that their claims were fraudulent. (See related information under Goal 3 working groups/task forces.)
- OIG investigators are participating on a task force to investigate criminal violations related to stolen infant formula and WIC throughout the Southeastern States. Other members include the FDA, local police departments, and security staffs working for large retail businesses. Infant formula generally is stolen from the retailers, repackaged, and sold to other retail vendors or sent out of the country. The initiative has resulted in approximately 20 criminal convictions. The task force is expected to continue through FY 2008.
- OIG investigators are participating on a task force to investigate criminal violations of FSP and WIC. Members include the Michigan State Police and the Internal Revenue Service’s Criminal Investigation organization. The FBI and DHS’ Immigration and Customs Enforcement have provided assistance during warrant operations. The initiative has resulted in 12 arrests and 10 search warrants served in the Detroit metropolitan area. Forfeiture action has been initiated by the United States Attorney’s Office, Eastern District of Michigan. The task force is expected to continue through FY 2008.
- An OIG investigator has been working with the FBI’s Safe Streets Task Force in Indianapolis, Indiana, since 2000. The mission of the task force is to deter street gang and drug-related violence, as well as seek the most significant fugitives wanted for crimes of violence through long-term, proactive, and coordinated teams of Federal, State, and local law enforcement officers and prosecutors.
- An OIG investigator is participating on the Ohio Organized Crime Investigations Commission (OOCIC) Task Force in Dayton, Ohio. OOCIC provides assistance to local law enforcement agencies in the investigation of organized criminal activity. OIG investigators have participated in the OOCIC Dayton Task Force since 1996 and have conducted investigations involving welfare recipients, food stamp trafficking, mortgaged farm equipment stolen from farmers, stolen property trafficking, and dogfighting. OIG involvement with the taskforce has resulted in the successful prosecution of more than 145 individuals with a number of additional cases pending. This has resulted in hundreds of charges for crimes such as Racketeer Influenced and Corrupt Organization Act (RICO) violations, auto theft, breaking and entering, narcotics trafficking, felonious assault, weapons violations, illegal gambling, food stamp trafficking, money laundering, conspiracy, dogfighting, and other criminal violations.

ONGOING AND PLANNED REVIEWS FOR GOAL 2

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

- continued monitoring of EBT implementation (FNS),
- SFSP Georgia (FNS),
- the Child and Adult Care Food Program (FNS),
- WIC vendor monitoring (FNS),
- TTPP (i.e., Tobacco Buyout Program) funding assessments and tobacco producer payments (FSA),
- guaranteed farm loan program interest rates and interest assistance (FSA),
- implementation of adjusted gross income limitation (FSA and NRCS),
- effectiveness of status reviews in assessing producer compliance with conservation provisions (NRCS and FSA),
- crop loss and quality adjustments for aflatoxin-infected corn (FSA and RMA),
- commodity programs for peanuts (FSA),
- effectiveness of new comprehensive compliance system (FSA),
- price discovery efforts for various crops reported nationwide (National Agricultural Statistics Service),
- oversight of AIPs' quality control reviews (RMA),
- Pasture, Rangeland, and Forage Loss Program (RMA),
- citrus indemnity payments resulting from 2005 hurricanes (RMA),
- catastrophic risk protection program (RMA),
- implementation of \$500,000 claim decision process (RMA),
- Farm and Ranch Lands Protection Program – nationwide selected nongovernmental organizations (NRCS),
- controls over lender activities in the Single-Family Housing (SFH) Guaranteed Loan Program (RHS),
- RHS bond financing – guaranteed loans,
- RD – rural area designations,
- Rural Business-Cooperative Service (RBS) – Intermediary Re-Lending Program,
- Business and Industry (B&I) guaranteed lenders with guaranteed loans in default (RBS),
- origination practices for the SFH Section 502 Direct Loan Program (RHS),
- RHS construction costs, and
- Texas Community Connect Grants close-out audit (Rural Utilities Service (RUS)).

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

Management of Public Resources

OIG Strategic Goal 3:

Increase the efficiency and effectiveness with which USDA manages and employs public assets and resources, including physical and information resources

OIG conducts audits, inspections, and investigations that focus on, for example, improved financial management and accountability, information technology (IT) security and management, protection of public assets, employee corruption, natural resources, research, and the Government Performance and Results Act. Our work in this area is vital because the Department is entrusted with \$128 billion in public resources annually and hundreds of billions of dollars more in fixed assets such as 192 million acres of national forests and wetlands. The effectiveness and efficiency with which USDA manages its assets are critical. USDA depends

on IT to efficiently and effectively deliver its programs and provide meaningful and reliable financial reporting. One of the more significant dangers USDA faces is a cyberattack on its IT infrastructure, whether by terrorists seeking to destroy unique databases or criminals seeking economic gains.

In the second half of FY 2007, we devoted 39.6 percent of our total audit and investigative resources to Goal 3, with 96.7 percent of these resources assigned to critical/high-impact work. A total of 86.8 percent of our audit recommendations under Goal 3 resulted in management decision within 1 year, and 54.2 percent of our investigative cases had criminal, civil, or administrative action taken. OIG issued 10 audit reports under Goal 3 during this reporting period and a total of 32 audit reports during the full fiscal year. OIG investigations under Goal 3 yielded 9 indictments, 18 convictions, and about \$571,926 in monetary results during the reporting period and a total of 64 indictments, 33 convictions, and about \$2 million in monetary results during the full fiscal year.

Management Challenges Addressed Under Goal 3

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

EXAMPLES OF AUDIT AND INVESTIGATIVE WORK FOR GOAL 3

Information Technology (IT) Security Improvements Have Been Made, but More Are Needed for an Effective Departmental Security Plan

Our review determined that the Department has improved its IT security oversight in several areas during the fiscal year. For example, the inventory of agency systems had significantly improved. In other areas, such as the certification and accreditation (C&A) process, improvements were noted, but additional work is still needed. A continuing material IT control weakness exists within the Department, however, due to the lack of an effective overall Departmentwide plan.

The Department needs to coordinate with all of its agencies, determine the overall risks, prioritize those risks, and develop and implement a time-phased plan to systematically mitigate identified risks. With agency cooperation and acceptance, improvements could be achieved in compliance with required standards, plan of action and milestones reporting, risk-level characterization, C&A processes, Privacy Act implementation and encryption, and configuration management. (Audit Report No. 50501-11-FM, FY 2007 Federal Information Security Management Act Report)

Civil Rights' (CR) Oversight of USDA's Accountability for Actions Taken on Civil Rights Complaints Needs Improvement

Despite improvements, we found that CR (recently renamed the Office of Adjudication and Compliance) has not been tracking equal employment opportunity (EEO) complaints effectively and processing them on time, and material weaknesses persist in CR's management control structure and environment. Consequently, CR is continuing to miss Equal Employment Opportunity Commission (EEOC) required timeframes.

CR uses its web-based Civil Rights Enterprise System (CRES) to track its cases, and to complete and file required EEOC reports. However, CR implemented CRES without sufficient business rules (protocols in the system to prevent omissions of data by end users) to ensure the accuracy and sufficiency of the complaint data, and did not implement sufficient controls to validate the data. CR also had inadequate controls over its file room operations to ensure that physical case files can be located timely and that they contain the required documentation.

CR agreed to develop a detailed formal plan to process EEO complaints timely and effectively; fully implement, test, and apply business rules in CRES, and validate the accuracy of information entered; implement procedures to control and monitor case file documentation and organization; and identify and destroy unneeded closed documentary case files. (Audit Report No. 60601-4-Hy, Review of the USDA's Accountability for Actions Taken on Civil Rights Complaints)

New Mexico Man Convicted of Attempted Bribery of Colorado FS Employee

In July 2007, a man was sentenced in the District of New Mexico to serve 36 months in prison, followed by 36 months of probation, for attempted bribery. The man offered a bribe to an FS employee in Colorado if the employee would alter his official engineering report to show that a ski lift in New Mexico was in need of replacement, even though it was structurally sound. The man was attempting to obtain a \$200,000 to \$400,000 finder's fee from a ski lift company to build a new multimillion-dollar ski lift. The man offered money, a car, and the use of his upscale home if the employee would change his official engineering report.

Former FS Employee Sentenced to Prison for Intentionally Setting Wildfires

In June 2007, a former FS employee of 34 years, who served as a Fire Management Officer assigned to the Mogollon Ranger District on the Coconino National Forest in Arizona, was sentenced in Federal court to serve 24 months

in prison, followed by 36 months of supervised release, fined \$5,000, and ordered to pay \$10,390 in restitution. The former employee, who also participated in the recovery efforts with the New York Fire Department following the attacks on the World Trade Center in New York City on September 11, 2001, was responsible for setting several wildfires on National Forest System lands. The employee confessed to starting two wildfires in 2004 (the Mother Fire and the Boondock Fire), both located on the Coconino National Forest. He voluntarily retired in December 2005.

More Than 580 Arrested During Operation Talon in Tennessee

OIG began Operation Talon in 1997 to locate and apprehend fugitives, many of them violent offenders, who are current or former food stamp recipients. As of September 30, 2007, Operation Talon had resulted in 11,780 arrests of fugitive felons during joint OIG-State and local law enforcement operations. During this reporting period, OIG combined forces with Federal, State, and local law enforcement agencies to arrest 584 fugitives in Tennessee and 21 in Texas for offenses including murder, assault, burglary, assorted drug charges, robbery, fraud, forgery, driving under the influence, rape, sex offenses, and general larceny—for a total of 605 arrests.

NRCS Needs To Inform FSA of Its Conservation Easements So FSA Can Remove Crop Bases From Easement-Encumbered Lands

Our audit found that NRCS did not communicate easement information to FSA, which systemically affected FSA's ability to avoid making improper payments on easement-encumbered land. As a result, FSA did not remove crop bases from 33 Wetlands Reserve Program (WRP) and Emergency Watershed Protection (EWP) Program easements, resulting in improper farm subsidy payments totaling \$1,290,147. In addition, the 2002 Farm Bill disallowed the practice that enabled producers to continue to receive farm subsidy payments in the year their easement closed. (This practice had been authorized previously by the 1996 Farm Bill; FSA used the "cropping rights letters" issued by NRCS

to producers to authorize the farm subsidy payments.) However, FSA allowed two producers with cropping rights letters to receive subsidy payments in FY 2002 totaling \$74,972.

NRCS has scheduled December 2007 to train field office staff in California on notifying FSA of recorded easements. FSA agreed to instruct its California State office to remove the crop bases from the WRP and EWP Program easements cited above and recover the improper payments, as well as those from the two producers with cropping rights letters. FSA also agreed to instruct all other FSA State offices to determine whether crop bases were properly removed from easement lands and recover any improper payments. Finally, FSA agreed to review cropping rights letters after FY 2001 to determine whether improper payments were made and to recover any found. (Audit Report No. 50099-11-SE, Crop Bases on Lands With Conservation Easements in California)

Trade Adjustment Assistance (TAA) for Farmers Program Has Effective Control Systems

We concluded that FAS, in conjunction with CSREES and FSA, implemented the TAA for Farmers Program in accordance with the authorizing legislation. In addition, we found that FAS implemented effective controls to ensure that program eligibility requirements were met. The Trade Act of 2002 had established the TAA for Farmers Program for FYs 2003 through 2007 with an annual appropriation of \$90 million. FAS administers this program to provide technical assistance and cash benefits to eligible producers of raw agricultural commodities when increases in imports of like or directly competitive commodities contributed significantly to a decline in prices. CSREES provided technical assistance training to producers, and FSA administered the cash benefit payments. Cash benefits were provided to only 8,324 producers from FYs 2004 through 2006. Program participation had been estimated to exceed 11,000 producers in FY 2004 and was expected to increase in the subsequent years. No recommendations were made. (Audit Report No. 50601-3-Hy, TAA for Farmers Program)

Better Coordination Needed To Effectively Implement Departmental Regulation on International Activities and Agreements of USDA Agencies

We found that greater coordination and communication are needed to effectively implement Departmental Regulation (DR) 1051-002 – International Activities and Agreements of USDA Agencies, particularly between FAS and FS. The failure of FAS and FS to communicate and coordinate efforts may result in an inconsistent message being sent on international policy matters, further undermining the purpose and effective implementation of the DR. The DR was issued to ensure that a uniform message was presented by USDA in the international arena, consistent with U.S. policy goals. Several USDA agencies may enter into international agreements and engage in international activities. FAS coordinates all international activities and agreements, as well as agricultural policies and programs, that come out of USDA.

FAS agreed to (1) provide guidelines on types of contracting and activities that must be coordinated with FAS, along with the appropriate contact(s) in FAS; and (2) clarify in the guidelines whether FAS needs to be notified of modifications to existing international agreements. FS agreed to (1) communicate with FAS on cost-reimbursable agreements, including modifications to inter-agency agreements, or request a waiver under the provisions of the DR; and (2) follow the DR and submit a draft of its international agreements before the start of negotiations or as early as possible in the negotiating process to receive an FAS determination of whether the draft agreement is subject to the Case-Zablocki Act. (Inspection Report No. 50901-01-IR, DR 1051-002 – International Activities and Agreements of USDA Agencies)

Cooperative State Research, Education, and Extension Service (CSREES) Needs To Improve its Monitoring and Oversight Over Funds Provided to the 1994 Tribal Land-Grant Institutions (LGI)

We found that CSREES could improve its monitoring of the 1994 LGIs by prioritizing onsite visits to the institutions, better assessing program accomplishments and verifying expenses during onsite reviews, and establishing a followup process to ensure observed deficiencies are corrected. In addition, CSREES had not closed out 33 grants to LGIs with remaining balances totaling \$874,986 that had expired as of October 1, 2004. We also identified \$76,359 in ineligible or unsupported expenses during our visit to two LGIs, which received more than \$1.5 million from CSREES for FYs 2003 through 2005. Officials at the two LGIs made various errors allocating salaries to projects, charging expenditures to grants that should have been closed out, or using funds for purposes outside the grant agreement.

CSREES agreed to (1) prioritize its onsite visits to LGIs through a risk assessment process, (2) review grants program accomplishments and expenses during onsite visits, (3) establish a followup process for resolution of review findings and recommendations, (4) ensure all grants are closed 90 days after the grant expires and return the \$874,986 in expired grant funds to the U.S. Treasury, and (5) recover from the two LGIs \$76,359 in questioned or unsupported costs. (Audit Report No. 13011-3-At, Review of 1994 Tribal LGIs)

RD Did Not Follow Revised Force-Placed Insurance Regulation

Our audit disclosed that RD officials force-placed insurance coverage for SFH borrowers in amounts above the unpaid loan balance for the 2006-2007 contract year, even though doing so exceeded permissible amounts established by regulation as revised on January 1, 2006. The coverage is obtained by RD on behalf of uninsured borrowers on property used as collateral, and charged as escrow. Based

on our testing of data and procedures for the 2005-2006 contract year and the fact that RD did not change its procedures when the revised regulation came into effect, this would have resulted in borrowers paying millions of dollars in extra hazard insurance premiums for the 2006-2007 contract year.

In addition, we were unable to determine whether RD borrowers met minimum balance requirements for force-placing insurance (\$7,500 or \$15,000 depending on the type of housing situation), because RD's two threshold procedures were inconsistent and unclear. As a result, a significant number of borrowers who would meet the threshold requirements under one procedure would not necessarily meet the requirements under the other. Further, RD applied the threshold requirement only to borrowers new to force-placed insurance, but neither procedure made that distinction.

We also found that RD's force-placed insurance contractor incorrectly calculated borrower premiums on hazard and flood insurance, resulting in overcharges of \$31,856. In response to our audit, RD officials implemented new controls to increase the monitoring of contract charges, and the contractor reimbursed RD for the overcharges. (Audit Report No. 04099-139-KC, RD's SFH Force-Placed Insurance)

Longtime RD Employee Sentenced for Embezzlement

In August 2007, a former USDA employee with 25 years of Federal service with RD was sentenced in the Western District of Missouri to serve 24 months in prison, followed by 36 months of supervised release, and ordered to pay \$160,484 in restitution for embezzlement. The former employee also was ordered to apply \$42,414 in retirement account funds and \$6,061 in earned leave toward restitution. The investigation revealed that, while employed at the local RD office, the former employee created fictitious loan files and grant applications. In addition, the former employee forged signatures on loan documents to divert approximately \$240,000 for personal use.

Man Sentenced for Manufacturing/ Possession of Counterfeit USDA Identification Documents

In May 2007, an Illinois man was sentenced in Federal court to serve 60 months in prison, followed by 60 months of supervised release, and ordered to pay \$26,129 in restitution for possession of counterfeit Government identification badges. He had been arrested by the Cairo, Illinois, Police Department in September 2005 and found to possess hundreds of counterfeit identification cards, including two APHIS Veterinary Service photo identification cards. The Cairo Police Department also found an identification-making machine and related paraphernalia. This investigation was conducted jointly with the FBI.

Certain Office of the Chief Financial Officer (OCFO)/National Finance Center (NFC) Controls Not Operating Effectively

OCFO/NFC received unqualified opinions on its description of general controls and the design of its general control structure. However, OCFO/NFC received a qualified opinion on its operational effectiveness because controls were not operating effectively to ensure that certain access, awareness and training, audit and accountability, configuration management, contingency planning, and personnel security controls were consistently achieved from July 1, 2006, through June 30, 2007. While we noted that OCFO/NFC continued to improve its internal controls, the reports identified weaknesses related mainly to processes that were updated during our review or to issues identified from the FY 2006 review that had not been addressed completely. OCFO/NFC continues to address these issues. (Audit Report No. 11401-26-FM, FY 2007 NFC General Controls)

Office of the Chief Information Officer (OCIO)/ National Information Technology Center's (NITC) Controls Are Suitably Designed

Our review of the OCIO/NITC internal control structure as of June 30, 2007, disclosed that the documentation of control objectives and techniques provided by OCIO/NITC presented fairly, in all material aspects, the relevant aspects of OCIO/NITC's control environment taken as a whole. Also, in our opinion, the policies and procedures are suitably designed to provide reasonable assurance that the control objectives would be achieved and operate effectively. (Audit Report No. 88501-10-FM, FY 2007 NITC – General Controls Review)

FSA Needs To Improve the Identification and Reporting of Improper Payments in Its High-Risk Programs

OCFO, the lead agency for coordinating and reporting the Department's efforts to implement the Improper Payments Information Act of 2002 (IPIA), considered compliance with IPIA a top priority for FY 2007. In our continuing evaluation of USDA's compliance with IPIA requirements, OIG audited the FSA process for statistically identifying estimates of improper payments in its three high-risk programs reported in the FY 2005 Performance and Accountability Report. Our audit revealed significant issues related to the methodology FSA used to determine its improper payment estimates, including selected sample payments that were not reviewed, calculations that did not account for program payment variables, missing supporting payment documentation, and substantial eligibility criteria that were not considered. FSA agreed to develop and implement controls to ensure that statistical sampling processes comply with all Office and Management and Budget (OMB) and OCFO requirements, and that agency personnel define the specific criteria and conditions that could result in improper payments for each high-risk program. (Audit Report No. 03601-14-Ch, Improper Payments – Monitoring the Progress of Corrective Actions for High-Risk Programs in FSA)

GOVERNMENTWIDE ACTIVITIES – GOAL 3 Review of Legislation, Regulations, Directives, and Memoranda

- *Departmental Regulation, "USDA Intramural Research Misconduct Policies and Guidelines."* OIG commented on the proposed USDA DR, "USDA Intramural Research Misconduct Policies and Guidelines," which would make permanent USDA's temporary policies contained in Secretary's Memorandum No. 2400-007. OIG recommended the DR clarify that special considerations must be taken into account when a criminal investigation is being conducted at the same time a research institution is conducting its own inquiry, investigation, or adjudication. In addition, OIG recommended clarification of the DR's reporting, documentation, and appeal provisions and strengthening the available remedies for findings of research misconduct.
- *Proposed Rule 7 C.F.R. Part 3022, "Research Institutions Conducting USDA-Funded Extramural Research; Research Misconduct."* OIG commented on a proposed rule that would govern research institutions conducting USDA funded extramural research, and misconduct involving extramural research. OIG recommended that allegations of research misconduct be reported directly to the Department's Research Integrity Officer and/or OIG instead of the agency to alleviate potential credibility concerns regarding any subsequent inquiry, investigation, or adjudication of the allegations. OIG also recommended clarification of reporting and notification provisions to ensure that members of the public, research institutions, and USDA agencies are aware of the appropriate offices to which they can and should report allegations of research misconduct. Finally, OIG recommended that the proposed rule address special considerations that must be taken into account when a criminal investigation is being conducted at the same time a research institution is conducting its own inquiry, investigation, or adjudication.

- The PCIE and the Government Accountability Office (GAO) jointly released the *Financial Audit Manual Volume 3 Exposure Draft* and requested comments by users. OIG Audit reviewed the exposure draft and provided comments to the PCIE/GAO team. Our comments included editorial corrections and revisions to certain steps/procedures to facilitate timely completion of audits conducted in accordance with the manual.
- OMB released the draft *Revised Audit Requirements for Federal Financial Statements* (OMB Bulletin No. 07-04). OIG Audit reviewed the draft and provided editorial and content edits to OMB. We specifically asked for additional clarification of proposed changes regarding the audit of intragovernmental parent-child transactions.
- OMB released draft Circular No. A-136, *Financial Reporting Requirements*. OIG Audit reviewed the draft and provided editorial and content edits to OMB. Specifically, we requested that OMB consider additional clarifications regarding changes to certain financial statements.

Participation on Committees, Working Groups, and Task Forces

- *PCIE Legislation Committee.* The USDA Inspector General (IG) currently serves as the Chair of the Legislation Committee of the PCIE. During the reporting period, the Legislation Committee held several meetings to discuss legislative and regulatory items of interest to the IG community. The IG testified on June 20, 2007, before the House Committee on Oversight and Government Reform's Subcommittee on Government Management, Organization, and Procurement on issues pertaining to the independence and accountability of Federal IGs in the context of H.R. 928, the Improving Government Accountability Act. The IG also submitted a statement for the record on behalf of the Legislation Committee to the Senate Committee on Homeland Security and Governmental Affairs following its hearing on July 11, 2007, on

“Strengthening the Unique Roles of Inspectors General.” Her statement addressed provisions of particular interest to the IG community that were in both S. 680, the Accountability and Government Contracting Act of 2007, and S. 1723, the Improving Government Accountability Act (the Senate counterpart to H.R. 928).

In addition, the Legislation Committee provided comments to the GSA Regulatory Secretariat on a proposed Federal Acquisition Rule that would establish a consistent policy regarding contractors' code of ethics and business conduct, contractors' responsibility to avoid improper business practices, and procedures for contractors displaying an agency OIG Fraud Hotline poster to facilitate the reporting of wrongdoing. The committee commented that the rule needed to clarify that IGs are responsible for determining the need for, and content of, their respective agency OIG fraud hotline poster(s). On an ongoing basis, the committee continued to monitor and track all IG-related legislation that is introduced in Congress and to keep the affected IGs notified of these bills' progress.

- As a member of the PCIE Audit Committee, the USDA IG works with other committee members to provide guidance to the Federal audit community by sponsoring reviews of Government-wide issues, and developing professional standards for audit activities. During this period the committee worked with GAO in issuing new Government Auditing Standards; addressed issues involving personally identifiable information (PII), the OIG audit peer review process, and basic auditor training for all OIG offices; and issued a report addressing National Single Audits.
- The USDA IG is a member of the National Procurement Fraud Task Force, formed by DOJ in October 2006 as a partnership among Federal agencies charged with the investigation and prosecution of illegal acts in connection with Government contracting and grant activities. The task force has worked to better allocate resources and improve coordination in procurement and grant fraud cases and otherwise to

accelerate investigations and prosecutions. At the regional level, OIG Investigations field offices participate on Procurement Fraud Task Forces initiated by the local United States Attorneys' Offices. OIG investigators in the Northeast Region are participating in a multi-agency investigation involving surety bond fraud. Surety bonds are one of the requirements necessary to obtain a Government contract. OIG also participates in one of the working groups formed by the task force, the Legislation Committee. During this period, the committee produced a white paper proposing certain reforms of laws and regulations dealing with ethics and internal controls, with the goal of enhancing the Government's ability to prevent and detect fraud.

- The Hurricane Katrina Fraud Task Force tracks referrals of potential cases and complaints, coordinates with law enforcement agencies to initiate investigations, and works with the appropriate U.S. Attorney's Offices to ensure timely and effective prosecution of Hurricane Katrina and Rita-related fraud cases. OIG has a Special Agent assigned as point of contact for the Joint Command Center. (See related information under Goal 2 working groups/task forces.)
- USDA OIG, with the Federal Election Commission OIG, jointly hosted the 2007 PCIE/ECIE Training Conference in Gettysburg, Pennsylvania, on April 16-18, 2007. With the theme of "Making a Positive Difference in a Challenging World," the conference provided a forum for the community of 64 Federal IGs to address current and future challenges facing the IG community. Speakers included then-Secretary of Agriculture Mike Johanns and Secretary of the Interior Dirk Kempthorne, who presented a secretarial joint session. David Walker, Comptroller General, GAO, addressed GAO and IG areas of mutual interest. Other topics included IT security and the loss of PII, the agency head/IG relationship, dilemma decisionmaking, and future directions for the PCIE/ECIE.
- OIG Audit completed the PCIE's Federal Audit Executive Council *Survey on Peer Reviews*. We provided comments to PCIE based on our experience with our most recent peer reviews.
- The PCIE Financial Statement Audit Network (FSAN) released the draft *Office of Personnel Management Agreed-Upon Procedures* for review. OIG Audit reviewed the draft and provided editorial and content edits to PCIE/FSAN. A significant problem was the amount of time provided for completion of the agreed-upon procedures in relation to the release date of the revised procedures.

Testimony Delivered

- *IG Testifies Before the House Committee on Oversight and Government Reform Regarding the Federal Crop Insurance Program*. On May 3, 2007, the IG presented testimony on waste, fraud, and abuse in the crop insurance program, based on OIG's audit and investigative work on the program. The testimony stated that because the program assigns low overall risk to the private insurance companies, the companies have less incentive to administer the insurance policies in accordance with the Government's and taxpayers' best interest. The structure of the crop insurance program continues to increase the Federal Government's financial responsibility for payments to program providers and recipients. While the program's statutory foundation has been successful at broadening the safety net for producers, Federal policymakers and program managers should reassess what constitutes acceptable costs to the Government. Vulnerabilities and common fraud schemes in the crop insurance program, such as the false reporting of crop production data, collusion among program participants, and the creation of sham farming entities, were addressed in the testimony.
- *Deputy Inspector General (DIG) Kathleen S. Tighe Testifies Before the House Committee on Agriculture's Subcommittee on General Farm Commodities and Risk Management*. On June 7, 2007, the DIG presented testimony on OIG's views on the Federal Crop Insurance Program. The DIG testified that there has been a significant upward trend in Federal payments to private insurance companies for their expenses and underwriting gains from 2000 to 2006. The Government's subsidy of premiums increased by more

than 180 percent during that period. Three elements are essential for an effective Federal crop insurance program: proper assignment of risk between approved insurance providers and the Government; effective management controls, including a strong Quality Control system; and aggressive compliance reviews/investigations to address fraud. Since FY 1999, OIG investigations pertaining to the crop insurance program have resulted in 69 indictments, 52 convictions, and more than \$54 million in monetary recoveries. The testimony supported USDA's crop insurance program reforms presented in its 2007 Farm Bill proposals, and made other recommendations such as the need for the Department to accelerate its implementation of its comprehensive information management system and to finalize RMA measures regarding claim anomalies and conflicts of interest.

- *DIG Testifies Before the House Committee on Natural Resources' Subcommittee on National Parks, Forests, and Public Lands Regarding Wildfire Preparedness.* On June 19, 2007, the DIG presented testimony concerning OIG's work on wildfire preparedness issues. The DIG testified that reducing the buildup of hazardous fuels (such as dead vegetation) in national forests is crucial to reducing the severity and costs of wildfires. The testimony highlighted the major findings and recommendations of OIG's review of FS' implementation of the Healthy Forests Initiative (HFI). OIG recommended that FS needs to be able to identify the level of risk for significant wildland fires throughout the National Forest System; prioritize fuels reduction projects according to their urgency and effectiveness; and improve its performance measures and reporting standards for HFI. OIG plans a followup audit regarding HFI in FY 2008.

ONGOING AND PLANNED REVIEWS FOR GOAL 3

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

- Hurricane relief initiatives:
 - Emergency Conservation Program (FSA),
 - Section 32 disaster programs including the Feed, Hurricane (crop), Livestock, and Tree Indemnity Programs and aquaculture grants (FSA and Commodity Credit Corporation),
 - Emergency Forestry Conservation Reserve Program (FSA),
- review of USDA's accountability of actions taken on program civil rights complaints (Office of Adjudication and Compliance),
- Grain Inspection, Packers and Stockyard Administration's Management and Oversight of the Packers and Stockyards Program followup,
- AMS fresh product grading,
- adequacy of AMS meat grading procedures,
- RMA compliance activities,
- RMA's 2005 emergency hurricane relief efforts in Florida,
- Conservation Security Program (NRCS),
- effectiveness of status review process in assessing producer compliance with conservation provisions (NRCS),
- NRCS WRP – restoration compliance,
- controls over technical service providers (NRCS),
- Export Guarantee Programs (FAS),
- FS Invasive Species Program,
- replacement plan – firefighting aerial resources (FS),
- FS firefighting succession plans,
- FS acquisition of IT software/hardware,
- FS National Fire Plan Reporting System,
- FS Working Capital Fund,
- FS Forest Legacy Program – appraisal process,
- FS Fire Program Analysis System,
- effectiveness and enforcement of debarment and suspension regulations in USDA,
- implementation of Renewable Energy Programs in USDA,
- Rural Rental Housing (RRH) project maintenance costs/ inspection procedures (RHS),
- Rural Utilities Service – Broadband Loan Programs,
- RD debt collections on Direct and Guaranteed Loans,
- RD Community Facilities Guaranteed Loan Program,
- RUS Water & Wastewater System Grants – Alaska,
- RUS controls over Water and Waste Disposal Loan and Grant Program,
- Rural Telephone Bank closeout audit,
- annual audits of the Department and standalone agencies' financial statements for FYs 2006 and 2007 (OCFO), and
- annual audit of FY 2007 closing package (OCFO).

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

Gauging the Impact of the OIG

MEASURING PROGRESS AGAINST THE OIG STRATEGIC PLAN

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

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

IMPACT OF OIG AUDIT AND INVESTIGATIVE WORK ON DEPARTMENT PROGRAMS

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

FOR AUDITS WE SHOW

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

FOR INVESTIGATIONS WE SHOW

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

PERFORMANCE RESULTS TOTALS UNDER OUR STRATEGIC GOALS

Performance Measures	FY 2006 Baseline	FY 2007 Target	FY 2007 2nd Half Actual	FY 2007 Full Year Actual
Audit/Investigative resources dedicated to critical/high-impact work	91.8%	90%	93.6%	92.8%
Audit recommendations resulting in management decision within 1 year	89.5%	85%	80.8%	84.0%
Investigative cases where criminal, civil, or administrative action is taken in response to OIG reports	77.4%	65%	72.7%	73.7%

RECOGNITION OF OIG EMPLOYEES BY THE DEPARTMENT AND IG COMMUNITY

Secretary's Annual Honors Awards

Hurricane Relief Team
Chicago, Illinois

PCIE/ECIE Awards for Excellence

Nancy Sullivan
Office of Management

Healthy Forests Initiative Audit Team
Audit

**Emergency Housing Assistance for Victims of
Gulf Coast Region Hurricanes Audit Team**
Audit

**USDA–DHS Agricultural Inspection Activities
Review Team**
Audit

Large Wildfire Suppression Costs Audit Team
Audit

**The Anti-Tampering Investigation and
Prosecution Team**
Investigations

Michigan Crop Insurance Investigation Team
Investigations

Chesapeake Bay Program Evaluation Team
Audit

**Disaster Recovery Working Group –
Information Sharing Subgroup**
Multidisciplinary

President's Volunteer Service Award

Jewel Moore
Audit

Matthew Wilkins
Investigations

Jim Legg
Audit

SUMMARY OF AUDIT ACTIVITIES

APRIL – SEPTEMBER 2007

REPORTS ISSUED			23
AUDITS PERFORMED BY OIG			21
EVALUATIONS PERFORMED BY OIG			0
AUDITS PERFORMED UNDER THE SINGLE AUDIT ACT			0
AUDITS PERFORMED BY OTHERS			2
MANAGEMENT DECISIONS MADE			
NUMBER OF REPORTS			30
NUMBER OF RECOMMENDATIONS			261
TOTAL DOLLAR IMPACT (MILLIONS) OF MANAGEMENT-DECIDED REPORTS			\$79.6
QUESTIONED/UNSUPPORTED COSTS		\$59.8 ^{ab}	
RECOMMENDED FOR RECOVERY	\$11.6		
NOT RECOMMENDED FOR RECOVERY	\$48.2		
FUNDS TO BE PUT TO BETTER USE		\$19.8	

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

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

SUMMARY OF INVESTIGATIVE ACTIVITIES

APRIL – SEPTEMBER 2007

Reports Issued		163
Cases Opened		176
Cases Closed		111
Cases Referred for Prosecution		218
IMPACT OF INVESTIGATIONS		
Indictments		353
Convictions		341 ^a
Searches		54
Arrests		952
TOTAL DOLLAR IMPACT (MILLIONS)		\$19.7
Recoveries/Collections	\$2.8 ^b	
Restitutions	\$8.6 ^c	
Fines	\$3.4 ^d	
Claims Established	\$3.6 ^e	
Cost Avoidance	\$0.5 ^f	
Administrative Penalties	\$0.8 ^g	
ADMINISTRATIVE SANCTIONS		87
Employees		24
Businesses/Persons		63

^a Includes convictions and pretrial diversions. Also, the period of time to obtain court action on an indictment varies widely; therefore, the 341 convictions do not necessarily relate to the 353 indictments.

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

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

^d Fines are court-ordered penalties.

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

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

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

Full FY 2007 Results in Key Categories

SUMMARY OF AUDIT ACTIVITIES			
OCTOBER 2006 – SEPTEMBER 2007			
REPORTS ISSUED			61
MANAGEMENT DECISIONS MADE			
NUMBER OF REPORTS			55
NUMBER OF RECOMMENDATIONS			494
TOTAL DOLLAR IMPACT (MILLIONS) OF MANAGEMENT-DECIDED REPORTS			\$90.9
QUESTIONED/UNSUPPORTED COSTS		\$71.1	
FUNDS TO BE PUT TO BETTER USE		\$19.9	

SUMMARY OF INVESTIGATIVE ACTIVITIES			
REPORTS ISSUED			318
IMPACT OF INVESTIGATIONS			
INDICTMENTS			524
CONVICTIONS			442
ARRESTS			1,405
TOTAL DOLLAR IMPACT (MILLIONS) OF MANAGEMENT-DECIDED REPORTS			\$63.2
ADMINISTRATIVE SANCTIONS			145

**INVENTORY OF AUDIT REPORTS
WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE
FROM APRIL 1 THROUGH SEPTEMBER 30, 2007**

		NUMBER	DOLLAR VALUE
A.	FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY APRIL 1, 2007	11	\$329,569,027
B.	WHICH WERE ISSUED DURING THE REPORTING PERIOD	3	\$1,658,425
	TOTALS	14	\$331,227,452
C.	FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THE REPORTING PERIOD	8	
	(1) DOLLAR VALUE OF DISALLOWED COSTS		\$19,781,379
	(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$126,593
D.	FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THE REPORTING PERIOD	6	\$311,319,480
	REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	4	\$310,128,381

**INVENTORY OF AUDIT REPORTS WITH
QUESTIONED COSTS AND LOANS**
FROM APRIL 1 THROUGH SEPTEMBER 30, 2007

		DOLLAR VALUES		
		NUMBER	QUESTIONED COSTS AND LOANS	UNSUPPORTED ^a COSTS AND LOANS
A.	FOR WHICH NO MANAGEMENT DECISION HAD BEEN MADE BY APRIL 1, 2007	18	\$103,750,430	\$50,357,412
B.	WHICH WERE ISSUED DURING THIS REPORTING PERIOD	7	\$4,078,932	\$38,377
TOTALS		25	\$107,829,362	\$50,395,789
C.	FOR WHICH A MANAGEMENT DECISION WAS MADE DURING THIS REPORTING PERIOD	12		
	(1) DOLLAR VALUE OF DISALLOWED COSTS			
	RECOMMENDED FOR RECOVERY		\$11,618,794	\$8,982,446
	NOT RECOMMENDED FOR RECOVERY		\$48,239,250	\$38,636,906
	(2) DOLLAR VALUE OF COSTS NOT DISALLOWED		\$4,902,223	\$2,717,778
D.	FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE BY THE END OF THIS REPORTING PERIOD	13	\$43,249,467	\$58,659
	REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE WITHIN 6 MONTHS OF ISSUANCE	7	\$39,202,391	\$20,282

^a Unsupported values are included in questioned values.

PROGRAM IMPROVEMENT RECOMMENDATIONS

A significant number of our audit recommendations carry no monetary value per se, but their impact can be immeasurable in terms of safety, security, and public health. They can also contribute considerably toward economy, efficiency, and effectiveness in USDA's programs and operations. During this reporting period, we issued 62 program improvement recommendations, and management agreed to implement a total of 210 program improvement recommendations that were issued this period or earlier. Examples of the program improvement recommendations issued this period (see the main text of this report for a summary of the audits that prompted these program improvement recommendations) include the following:

- FSIS agreed to develop a new IT system to track domestic inspection activities, including egg products processing, which will replace PBIS; agreed to conduct trend analyses to identify serious or widespread deficiencies at egg products processing plants and correct them; and included egg products processing plants in the May 2007 Canadian equivalency review and agreed to include egg products processing plants in future reviews.
- FNS agreed to finalize Federal food stamp regulations pertaining to disaster assistance to specify State agency responsibilities for developing, testing, and implementing disaster assistance programs; develop and implement procedures detailing how FNS regional offices will review State Disaster Food Stamp Program plans and determine their adequacy; and require States to test their disaster systems used to process applications to ensure controls are in place for properly processing applications.
- FNS has required the Puerto Rico Health Department to develop a corrective action plan with timeframes for correcting all unresolved identified program weaknesses for WIC in Puerto Rico.
- FNS agreed to require the States to work with the largest EBT processor for food stamps to strengthen controls over unapplied benefits and balancing accounts on the EBT system, and implement controls to limit excessive refunds.
- CR agreed to develop a detailed formal plan to process EEO complaints timely and effectively; fully implement, test, and apply business rules in the Civil Rights Enterprise System, and validate the accuracy of information entered; implement procedures to control and monitor case file documentation and organization; and identify and destroy unneeded closed documentary case files.
- FSA agreed to develop and implement controls to ensure that statistical sampling processes comply with all OMB and OCFO requirements, and that agency personnel define the specific criteria and conditions that could result in improper payments for each high-risk program.

SUMMARY OF AUDIT REPORTS RELEASED FROM APRIL 1 THROUGH SEPTEMBER 30, 2007

DURING THE 6-MONTH PERIOD FROM APRIL 1 THROUGH SEPTEMBER 30, 2007, THE OFFICE OF INSPECTOR GENERAL ISSUED 23 AUDIT REPORTS, INCLUDING 2 PERFORMED BY OTHERS.

THE FOLLOWING IS A SUMMARY OF THOSE AUDITS BY AGENCY:

AGENCY	AUDITS RELEASED	QUESTIONED COSTS AND LOANS	UNSUPPORTED ^a COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
OFFICE OF THE CHIEF INFORMATION OFFICER	1			
CIVIL RIGHTS	1			
COOPERATIVE STATE RESEARCH, EDUCATION, AND EXTENSION SERVICE	1	\$76,359	\$23,889	\$874,986
FARM SERVICE AGENCY	2	\$149,590		\$316,113
FOOD AND NUTRITION SERVICE	6	\$53,635	\$14,488	
FOOD SAFETY AND INSPECTION SERVICE	1			
FOREST SERVICE	2			\$467,326
MULTIAGENCY	3	\$1,385,937		
OFFICE OF THE CHIEF FINANCIAL OFFICER	2			
RISK MANAGEMENT AGENCY	1			
RURAL HOUSING SERVICE	3	\$2,413,411		
TOTALS	23	\$4,078,932	\$38,377	\$1,658,425
TOTAL COMPLETED:				
SINGLE AGENCY AUDIT	20			
MULTIAGENCY AUDIT	3			
SINGLE AGENCY EVALUATION	0			
MULTIAGENCY EVALUATION	0			
TOTAL RELEASED NATIONWIDE	23			
TOTAL COMPLETED UNDER CONTRACT ^b	2			
TOTAL SINGLE AUDIT ISSUED ^c	0			
^a Unsupported values are included in questioned values ^b Indicates audits performed by others ^c Indicates audits completed as Single Audit				

-Continued

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES

AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
Office of the Chief Information Officer						
885010010FM	2007/09/27	FY 2007 National Information Technology Center – General Controls Review				
Total: Office of the Chief Information Officer			1			
Civil Rights						
606010004HY	2007/05/14	Review of USDA Employee Civil Rights Complaints				
Total: Civil Rights			1			
Cooperative State Research, Education, and Extension Service						
130110003AT	2007/08/17	CSREES – Tribal Land-Grant Institutions		\$76,359	\$23,889	\$874,986
Total: Cooperative State Research, Education and Extension Service			1	\$76,359	\$23,889	\$874,986
Farm Service Agency						
036010012AT	2007/09/26	Tobacco Transition Payment Program Quota Holder Payments and Flue-Cured Tobacco Quotas		\$149,590		\$316,113
036010014CH	2007/05/18	Improper Payments – Monitoring the Progress of Corrective Actions for High-Risk Programs in FSA				
Total: Farm Service Agency			2	\$149,590		\$316,113
Food and Nutrition Service						
270040004AT	2007/05/24	WIC Program, Puerto Rico				
270040005CH	2007/05/03	Meal Accountability at Choice Schools in Milwaukee, WI				
270170001HQ	2007/09/05	DCAA Audit of ABT Associates' FY 2002 Incurred Cost				
270990034SF	2007/08/17	Summer Food Service Program		\$53,635	\$14,488	
270990049TE	2007/09/04	FNS Disaster Food Stamp Program for Hurricanes Katrina and Rita				
270990069HY	2007/09/28	JP Morgan EFS Oversight of EBT Operations				
Total: Food and Nutrition Service			6	\$53,635	\$14,488	

AUDIT REPORTS RELEASED AND ASSOCIATED MONETARY VALUES

AUDIT NUMBER	RELEASE DATE	TITLE		QUESTIONED COSTS AND LOANS	UNSUPPORTED COSTS AND LOANS	FUNDS BE PUT TO BETTER USE
Food Safety and Inspection Service						
246010008CH	2007/08/23	Egg Processing Inspection				
Total: Food Safety and Inspection Service			1			
Forest Service						
080170012HQ	2007/06/11	DCAA Audit of Serco, Inc., Termination for Convenience				
086010050SF	2007/09/28	FS Stewardship Contracts				\$467,326
Total: Forest Service			2			\$467,326
Multi-Agency						
500990011SF	2007/08/27	Crop Bases on Lands With Conservation Easements		\$1,385,937		
505010011FM	2007/09/26	FY 2007 Federal Information Security Management Act Report				
506010003HY	2007/06/13	Trade Adjustment Assistance for Farmers				
Total: Multi-Agency			3	\$1,385,937		
Office of the Chief Financial Officer						
114010026FM	2007/09/27	FY 2007 – National Finance Center General Controls				
114010027FM	2007/09/21	FY 2007 Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report Submitted to the Office of Personnel Management				
Total: Office of the Chief Financial Officer			2			
Risk Management Agency						
050990113KC	2007/06/26	Asian Soybean Rust Claims				
Total: Risk Management Agency			1			
Rural Housing Service						
040990139KC	2007/09/28	Review of RHS Force-Placed Hazard Insurance		\$31,856		
046010009SF	2007/09/28	Review of Selected Lender – RHS Guaranteed Loan Program, State of Mississippi		\$2,369,110		
046010016CH	2007/09/25	Controls Over Single-Family Housing Grants and Loans		\$12,445		
Total: Rural Housing Service			3	\$2,413,441		
GRAND TOTAL			23	\$4,078,932	\$38,377	\$1,658,425

AUDITS WITHOUT MANAGEMENT DECISION

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

Agency	Date Issued	Title of Report	Total Value at Issuance (in dollars)	Amount With No Mgmt. Decision (in dollars)
NEW SINCE LAST REPORTING PERIOD				
FAS	02/22/07	1. Trade Promotion Operations (07601-1-Hy)	0	0
FS	02/21/07	2. DCAA Audit of Warden Assoc. Inc., Cost Verification (08017-10-HQ)	19,422	19,422
Multiagency	02/27/07	3. IT – Lost or Stolen Items Containing Sensitive Information (50501-8-FM)	0	0
	03/28/07	4. Implementation of Trade Title of 2002 Farm Bill and PMA (50601-12-At)	0	0
RHS	03/30/07	5. Controls Over SFH Funds Provided for Hurricane Relief Efforts (04601-15-Ch)	388,842	320,152
RMA	03/26/07	6. Evaluation of RMA Indemnity Payments for 2004 Florida Hurricanes (05099-27-At)	415,710	415,710

PREVIOUSLY REPORTED BUT NOT YET RESOLVED

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

APHIS	02/20/03	7. Safeguards To Prevent Entry of Prohibited Pests and Diseases Into the United States (33601-3-Ch)	0	0
OCIO	08/07/06	8. Management and Security Over the Universal Telecommunications Network (#88501-6-FM)	0	0
FSIS	06/21/00	9. Implementation of the HACCP System (24001-3-At)	0	0
	09/30/03	10. Oversight of Production Process and Recall at ConAgra Plant (Establishment 969) (24601-2-KC)	0	0
	6/24/05	11. HACCP – Compliance by Very Small Plants (24601-5-At)	0	0
Multiagency	09/30/03	12. Implementation of Agricultural Risk Protection Act (50099-12-KC)	0	0
	02/23/04	13. Homeland Security Issues for USDA Grain and Commodities Inventory (50099-13-KC)	0	0
RBS	01/28/02	14. Lender Servicing of B&I Guaranteed Loans, Florida (34601-3-At)	1,536,060	1,536,060
	01/10/03	15. Lender Servicing of B&I Guaranteed Loans in Georgia (34601-4-At)	3,766,908	3,706,908
	09/29/05	16. Request Audit of B&I Guaranteed Loan in Arkansas (34099-7-Te)	2,502,954	0
RHS	09/30/04	17. RRH Project Costs, Cairo, IL (04099-143-Ch)*	164,000	164,000
	08/14/06	18. SFH, Borrower Income Verification Procedures (04099-341-At)	0	0
	09/28/06	19. Controls Over Multi-Family Housing Funds Provided for Hurricane Relief Efforts (04601-13-Ch)	160,557	0
RMA	03/15/02	20. Monitoring of RMA's Implementation of Manual 14 Reviews/Quality Control Review System (05099-14-KC)	0	0
RUS	09/30/05	21. Broadband Grant and Loan Programs (09601-4-Te)	340,376,319	30,377,069

AUDITS WITHOUT MANAGEMENT DECISION – NARRATIVE FOR NEW ENTRIES

1. Trade Promotion Operations (07601-1-Hy), Issued February 22, 2007

Three Members of Congress requested that OIG review the extent to which the FAS programs foster and expand agricultural trade activities. Management decisions have not been achieved on three of the five recommendations. FAS needs to provide specific information about when and how the agency will review their website, outreach efforts, and the accomplishments of the Market Access Program.

2. Defense Contract Audit Agency (DCAA) Audit of Warden Associates, Inc., Cost Verification, (08017-10-HQ), Issued February 21, 2007

DCAA audited Warden Associates, Inc.'s cost verification at the request of FS. In DCAA's opinion, total costs, as adjusted by this audit, were deemed acceptable. However, at the time of the report release, DCAA questioned \$19,422 of costs billed by the contractor. Also at that time, the contractor did not provide comment to DCAA's findings. Negotiations continue with the contractor for increased questioned costs.

3. IT – Lost or Stolen Items Containing Sensitive Information, (50501-8-FM), Issued February 27, 2007

Our objective was to determine, to the extent possible, what information resided on the stolen computers and what sensitive information currently resides on the existing computers. We found that controls over stolen computer equipment were lacking in FSA, NRCS, RD, and IT Services. In addition, agencies did not notify the individuals whose information may have been compromised. Recommendations 1 and 4 for this engagement have not reached management decision. Recent documentation from OCIO reflects management decision concurrence will be submitted to OIG in October 2007.

4. Implementation of Trade Title of 2002 Farm Bill and President's Management Agenda (PMA) (50601-12-At), Issued March 28, 2007

The audit found that FAS had implemented 10 of 13 export provisions of the 2002 Farm Bill. FAS had not implemented the Global Market Strategy and congressional consultations as required by Section 3206 of the Farm Bill. Legislation also required that FAS implement a strategy for increasing the level of credit guarantees for the exports of American-processed and high-value commodities each year to 35 percent of all credit guarantees. To clarify the definition of processed and high-value commodities, we recommended that FAS consult with the Department and with Congress to properly implement the provisions of the Farm Bill. FAS officials contend that Congress may provide additional direction in the 2007 Farm Bill to help them better interpret and implement items identified in the audit.

5. Controls Over SFH Funds Provided for Hurricane Relief Efforts (04601-15-Ch), Issued March 30, 2007

RHS officials provided emergency funds for repairs and improvements not caused by the hurricanes. This violated provisions of the Supplemental Appropriations Act related to the Gulf Coast disaster, which states that funds were to be used to respond to damage caused by the hurricanes. In Mississippi and Louisiana, we examined 63 funded applications for housing repair grants and found that 59 included more than \$329,000 in repairs and improvements not related to damage caused by the Gulf Coast disaster. We recommended that RD officials (1) obtain a formal Office of the General Counsel opinion regarding the appropriate use of emergency funds prior to approving applications for future disasters and (2) develop procedures that provide guidance to field staff on the proper use of emergency funds after disasters.

6. Evaluation of RMA Indemnity Payments for 2004 Florida Hurricanes (05099-27-At), Issued March 26, 2007

We found that AIPs' loss adjusters were not always preparing loss determinations for citrus payments correctly. Of the 21 citrus claims reviewed, we found that the loss adjusters had made 35 errors on 15 of those claims that resulted in \$415,710 in overpayments and underpayments. We recommended that RMA recover erroneous loss adjustment determinations from the AIP. RMA conditionally agreed with our recommendation pending further analysis and evaluation of the matter.

INDICTMENTS AND CONVICTIONS

From April 1 through September 30, 2007, OIG completed 163 investigations. We referred 218 cases to Federal, State, and local prosecutors for their decision.

During the reporting period, our investigations led to 353 indictments and 341 convictions. The period of time to obtain court action on an indictment varies widely; therefore, the 341 convictions do not necessarily relate to the 353 indictments. Fines, recoveries/collections, restitutions, claims established, cost avoidance, and administrative penalties resulting from our investigations totaled about \$19.7 million.

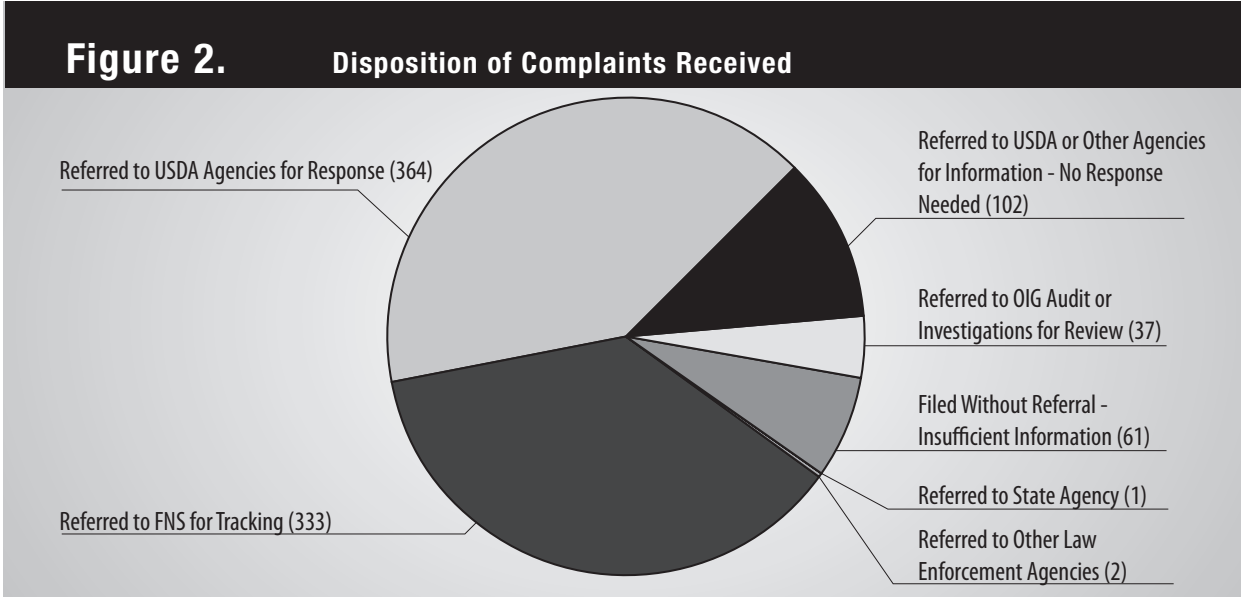
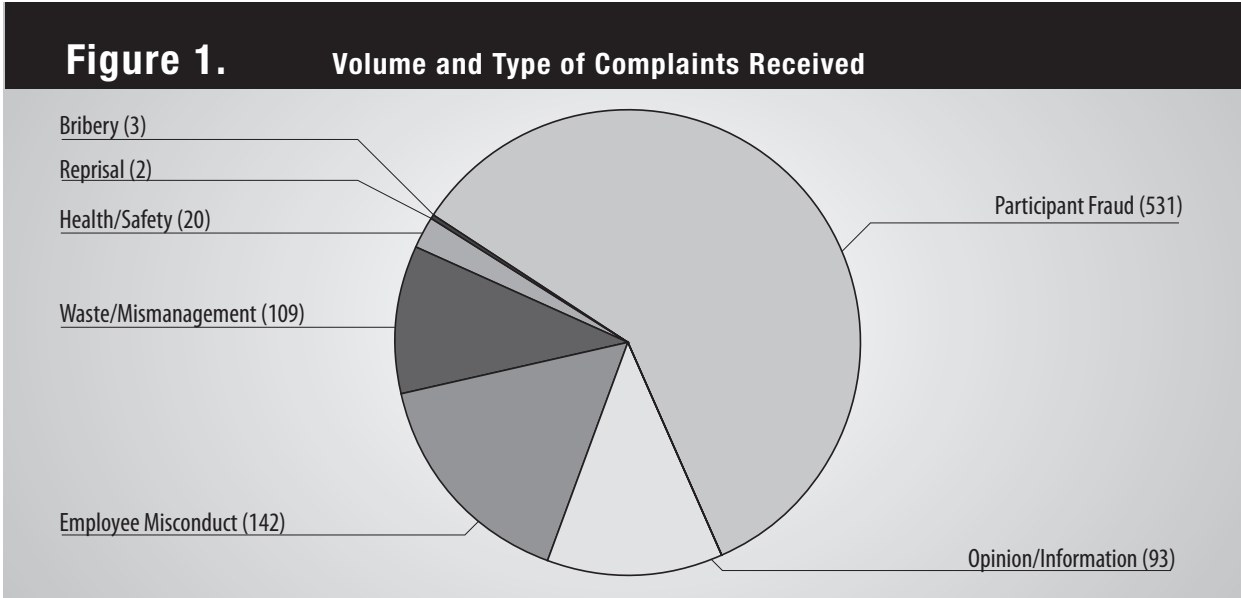
The following is a breakdown, by agency, of indictments and convictions for the reporting period.

Indictments and Convictions April 1 – September 30, 2007		
Agency	Indictments	Convictions*
APHIS	161	209
ARS	1	0
FNS	152	84
FS	1	3
FSA	20	9
FSIS	4	20
GIPSA	2	2
NRCS	2	2
OCFO	0	1
RBS	2	0
RHS	7	6
RMA	1	5
Totals	353	341
*This category includes pretrial diversions.		

OFFICE OF INSPECTOR GENERAL HOTLINE

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

reporting period, the OIG Hotline received 900 complaints, which included allegations of participant fraud, employee misconduct, and mismanagement, as well as opinions about USDA programs. Figure 1 displays the volume and type of the complaints we received, and figure 2 displays the disposition of those complaints.



FREEDOM OF INFORMATION ACT (FOIA) AND PRIVACY ACT (PA) REQUESTS FOR THE PERIOD APRIL 1 TO SEPTEMBER 30, 2007

Number of FOIA/PA Requests Received	84
Number of FOIA/PA Requests Processed	99
Number Granted	7
Number Partially Granted	53
Number Not Granted	39
Reasons for Denial	
No Records Available	12
Referred to Other Agencies	0
Requests Denied in Full (Exemption 5)	0
Requests Denied in Full (Exemption 7A)	8
Requests Denied in Full (Exemption 7C)	0
Request Withdrawn	6
Fee-Related	3
Not a Proper FOIA Request	3
Not an Agency Record	1
Duplicate Request	1
Other	5
Requests for OIG Reports From Congress and Other Government Agencies	
Received	31
Processed	31
Appeals Received	4
Appeals Processed	6
Appeals Completely Upheld	1
Appeals Partially Reversed	3
Appeals Completely Reversed	1
Appeals Requests Withdrawn	0
Other	1
Number of OIG Reports/Documents Released in Response to Requests	70

NOTE 1: A request may involve more than one report.

NOTE 2: During this 6-month period, 20 audit reports were posted to the Internet at the OIG Web site:

<http://www.usda.gov/oig>

Abbreviations of Organizations	
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
CR	Civil Rights
CSREES	Cooperative State Research, Education, and Extension Service
DCAA	Defense Contract Audit Agency
DHS	U.S. Department of Homeland Security
DOJ	U.S. Department of Justice
ECIE	Executive Council on Integrity and Efficiency
EEOC	Equal Employment Opportunity Commission
ERT	Emergency Response Team
FAS	Foreign Agricultural Service
FBI	Federal Bureau of Investigation
FDA	Food and Drug Administration
FEMA	Federal Emergency Management Agency
FNS	Food and Nutrition Service
FS	Forest Service
FSA	Farm Service Agency
FSAN	Financial Statement Audit Network
FSIS	Food Safety and Inspection Service
GAO	Government Accountability Office
GIPSA	Grain Inspection, Packers and Stockyards Administration
JTTF	Joint Terrorism Task Force
NJTTF	National Joint Terrorism Task Force
NFC	National Finance Center
NITC	National Information Technology Center
NRCS	Natural Resources Conservation Service
OOCIC	Ohio Organized Crime Investigations Commission
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
PCIE	President's Council on Integrity and Efficiency
PRHD	Puerto Rico Health Department
RBS	Rural Business-Cooperative Service
RD	Rural Development
RHS	Rural Housing Service
RMA	Risk Management Agency
RUS	Rural Utilities Service
USDA	U.S. Department of Agriculture
USMEF	U.S. Meat Export Federation
WFIT	Wildland Fire Investigations Team

EXAMPLES OF PROGRAM IMPROVEMENT RECOMMENDATIONS MANAGEMENT AGREED TO DURING THIS REPORTING PERIOD (210 TOTAL)

- FSIS agreed to develop a new IT system to track domestic inspection activities, including egg products processing, which will replace PBIS; agreed to conduct trend analyses to identify serious or widespread deficiencies at egg products processing plants and correct them; and included egg products processing plants in the May 2007 Canadian equivalency review and agreed to include egg products processing plants in future reviews.
- FNS agreed to finalize Federal food stamp regulations pertaining to disaster assistance to specify State agency responsibilities for developing, testing, and implementing disaster assistance programs; develop and implement procedures detailing how FNS regional offices will review State DFSP plans and determine their adequacy; and require States to test their disaster systems used to process applications to ensure controls are in place for properly processing applications.
- FNS has required PRHD to develop a corrective action plan with timeframes for correcting all unresolved identified program weaknesses for WIC in Puerto Rico.
- FNS agreed to require the States to work with the largest EBT processor for food stamps to strengthen controls over unapplied benefits and balancing accounts on the EBT system, and implement controls to limit excessive refunds.
- CR agreed to develop a detailed formal plan to process EEO complaints timely and effectively; fully implement, test, and apply business rules in CRES, and validate the accuracy of information entered; implement procedures to control and monitor case file documentation and organization; and identify and destroy unneeded closed documentary case files.
- FSA agreed to develop and implement controls to ensure that statistical sampling processes comply with all OMB and OCFO requirements, and that agency personnel define the specific criteria and conditions that could result in improper payments for each high-risk program.

MISSION OF OIG

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

OIG STRATEGIC GOALS

We have focused nearly all of our audit and investigative direct resources on our three strategic goals:

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

How To Report Suspected Wrongdoing in USDA Programs

Fraud, Waste, and Abuse:

In Washington, DC: 202.690.1622

Outside DC: 800.424.9121

TDD (Call Collect): 202.690.1202

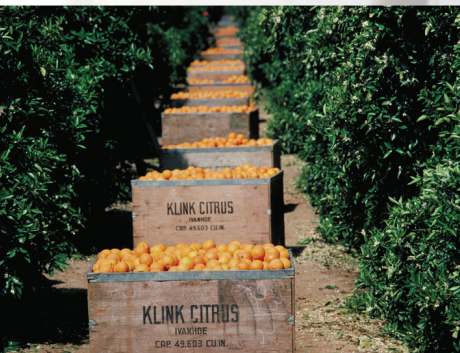
Bribes or Gratuities:

202.720.7257 (24 hours)

888.620.4185 (24 hours)

To learn more about OIG, visit our Web site at

www.usda.gov/oig/home.htm



United States Department of Agriculture
Office of Inspector General

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

November 2007

