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Source of document: USDA, Office of Inspector General
Room 441-E Jamie Whitten Bldg. - Legal Staff
1400 Independence Avenue SW
Washington, DC 20250-2308
Email: FOIASTAFF@oig.usda.gov
Fax: (202) 690-6305

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UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



JUL 13 2010

Subject: Log No. 10-00022

This letter responds to your Freedom of Information Act (FOIA)¹ request to the Department of Agriculture's (USDA) FOIA coordinator. Your request was forwarded to the Office of Inspector General (OIG) on December 7, 2009, for our direct response to you.

You requested reports produced for Congress during the past three years that are not posted on a public Federal website.

We are releasing 23 pages of responsive records. Pursuant to FOIA, certain information has been redacted as it is exempt from release. Specifically, in accordance with 5 U.S.C. § 552(b)(6), the names, and identifying information of individuals were withheld because release of this information could reasonably be expected to constitute an unwarranted invasion of privacy. Further, proprietary or confidential financial information was redacted pursuant to 5 U.S.C. § 552(b)(4).

We have enclosed a brief explanation of the FOIA exemptions.

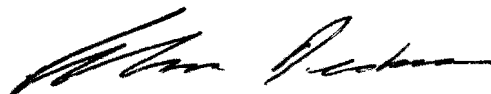
You have the right to appeal the decision by OIG to withhold information by writing to the Inspector General, U.S. Department of Agriculture, 1400 Independence Avenue SW., Whitten Building, Suite 441-E, Washington, D.C. 20250-2308. Your appeal must be received within 45 days from the date of this letter. The outside of the envelope should be clearly marked "FOIA APPEAL."

¹ 5 U.S.C. § 552.

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For information about OIG, please refer to our Web site at www.usda.gov/oig. Should you have any questions concerning this correspondence, please feel free to contact our FOIA staff at (202) 720-5677.

Sincerely,

A handwritten signature in black ink, appearing to read "Alison Decker". The signature is fluid and cursive, with a large initial "A" and "D".

Alison Decker
Assistant Counsel

Enclosures: Exemptions list/documents

FOIA EXEMPTIONS

Exemption 2 (5 U.S.C. § 552(b)(2)): permits agencies to withhold documents which relate “solely to the internal personnel rules and practices of an agency.”

Exemption 3 (5 U.S.C. § 552(b)(3)): incorporates the disclosure prohibitions that are contained in various other federal statutes. Broadly phrased so as to simply cover information “specifically exempted from disclosure by statute.”

Exemption 4 (5 U.S.C. § 552(b)(4)): allows Federal agencies the discretion to withhold “... trade secrets and commercial or financial information obtained from a person [that is] privileged or confidential...” the release of which could be competitively harmful to the submitter of the information; which could impair the government’s ability to obtain similar necessary information in a purely voluntary manner in the future; and, which could affect other governmental interests, such as program effectiveness and compliance.

Exemption 5 (5 U.S.C. § 552(b)(5)): allows the agency the discretion to withhold “...inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency.” The purpose of this exemption is to protect the deliberative process by encouraging a frank exchange of views. In addition, this exemption protects from disclosure attorney-work product and attorney-client materials.

Exemption 6 (5 U.S.C. § 552(b)(6)): allows Federal agencies the discretion to withhold information the disclosure of which would “...constitute a clearly unwarranted invasion...” of individual privacy and might adversely affect the individual and his/her family.

Exemption 7 (5 U.S.C. § 552(b)(7)): protects from disclosure “records or information compiled for law enforcement purposes, but only to the extent that the production of such law enforcement records or information

(A) could reasonably be expected to interfere with enforcement proceedings,

(B) would deprive a person of a right to a fair trial or an impartial adjudication,

(C) could reasonably be expected to constitute an unwarranted invasion of personal privacy,

(D) could reasonably be expected to disclose the identity of a confidential source, including a State, local, or foreign agency or authority or any private institution which furnished information on a confidential basis, and, in the case of a record or information compiled by a criminal law enforcement authority in the course of a criminal investigation, or by an agency conducting a lawful national security intelligence investigation, information furnished by a confidential source, would disclose techniques and procedures for law enforcement investigations or prosecutions, or

(E) would disclose guidelines for law enforcement investigations or prosecutions if such disclosure could reasonably be expected to risk circumvention of the law, or

(F) could reasonably be expected to endanger the life or physical safety of any individual.”

Exemption 8 (5 U.S.C. § 552(b)(8)): protects matters that are “contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions.”

Exemption 9 (5 U.S.C. § 552(b)(9)): covers geological and geophysical information and data, including maps, concerning wells.



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



March 8, 2010

The Honorable Tom Coburn
United States Senate
172 Russell Senate Office Building
Washington, D.C. 20510-3604

Dear Senator Coburn:

On January 14, 2009, you requested that the Office of Inspector General (OIG) review matters pertaining to Agriprocessors, Inc., a meat company based in Postville, Iowa. In that letter, you expressed several concerns about Agriprocessors and its receipt of approximately [b4] in loan and grant funds from the Department of Agriculture (USDA) to build a sewage treatment plant that would allegedly serve only the company and not the residents of Postville. We notified you in an April 22, 2009, letter that we would review your concerns involving Agriprocessors, Inc. This correspondence represents the results of our inquiry.

In your January 14, 2009, letter, you expressed concerns that focused on the following section of the 2004 Consolidated Appropriations Act.¹

“Notwithstanding any other provision of law, the City of Postville, Iowa, shall be eligible to receive a water and waste disposal grant under section 306(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)) in an amount that is equal to not more than 75 percent of the total cost of providing water and sewer service in the city.”

As a result of this section of the Act, the Rural Utilities Service (RUS), an agency within the USDA Rural Development mission area, approved approximately [b4] of Government assistance to the city of Postville to build a sewage treatment plant. The wastewater treatment system was used for the sole and exclusive purpose of treating Agriprocessors' wastewater and was built on property owned by Agriprocessors. This company had a record of noncompliance with water-quality regulations and filed for bankruptcy in 2008. The USDA funding included a \$3.3 million grant and a [b4] The funding was made available through RUS' Water and Waste Program, which is designed to help small towns improve water and sewage systems for their residents.

¹ Title VII—General Provisions, Section 785, Water and Waste Disposal Grant to the City of Postville, Iowa.

Our audit personnel discussed your concerns with RUS National and Iowa State office officials and reviewed program regulations and other documentation provided by RUS regarding the USDA funding. The following summarizes the results of our inquiry.

- RUS National office officials stated they were not aware of other sewage treatment projects where the sole purpose of the Water and Waste Program funds was to assist the operations of a private business (e.g., Agriprocessors).
- In the absence of Appropriations Act's provision, the company, Agriprocessors, would not have been an eligible applicant for a water and waste loan or grant.
- RUS officials explained that the agency's files included no waivers from any regulations, policies, or procedures to meet the language of Section 785. However, we found that not all RUS instructions were followed. Specifically, agency officials did not conduct an economic viability assessment on Agriprocessors and did not approve the construction plans and specifications for the Agriprocessors project.
- From the information RUS officials were able to provide, our audit personnel could not determine if the project was subjected to competitive bidding.
- Since the loan and grant were made to the city of Postville, the city is responsible for these financial obligations. The loan payments to RUS are current, with the next installment due in June 2010.

Should you have any questions or require additional information, please do not hesitate to call me at (202) 720-8001, or have a member of your staff call Mr. Gil H. Harden, Acting Assistant Inspector General for Audit, at (202) 720-6945.

Sincerely,

/signed/

Phyllis K. Fong
Inspector General



UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington D.C. 20250



May 12, 2010

The Honorable Darrell E. Issa
Ranking Member
Committee on Oversight
and Government Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Dear Congressman Issa:

Thank you for your March 24, 2010, letter requesting an update of the report provided last year on recommendations made to the Department of Agriculture (USDA) by the Office of Inspector General (OIG). Your letter also requested that we identify the number of recommendations implemented since our last report and the three open and unimplemented recommendations that our office considers to be most important. We appreciate your office granting us an extension to provide the Committee our response. The following information is in response to your request.

In our April 6, 2009, update provided to the Committee, OIG reported 516 recommendations pending final action. As of April 24, 2010 (the date of our analysis), USDA agencies have implemented (i.e., achieved final action on) 252 of those recommendations—almost 50 percent—with an estimated agreed amount of over \$88 million.¹

From January 1, 2001, through March 31, 2010, there have been 4,017 recommendations made in 709 audit reports issued by USDA OIG. As of April 24, 2010, approximately 3,326 (82.8 percent) of OIG's recommendations have been implemented. In response to your request, we are providing summary information for 691 open recommendations²—regardless of the mandatory reporting timeframes³—that have not been resolved or have not been implemented by USDA agencies.

The enclosed summary—by year of audit issuance—denotes the number of unresolved and unimplemented recommendations and the recommendations' potential monetary benefits, with overall totals shown in the last two columns. As of the date of our analysis, there were 94 unresolved (no management decision) and 597 unimplemented (no final action taken) audit

¹ This figure was based on the agreed to amount at time of achievement of management decision. Actual cost savings is reported by the Office of the Chief Financial Officer in its annual *Performance and Accountability Report*.

² Even though not in the requested parameters (calendar years 2001-2010 to date), we have included for reference those recommendations (49 in total) still pending final action in audits released prior to calendar year 2001.

³ The Inspector General Act, as amended, requires OIG to track and semi-annually report to Congress those audit reports where management decision has not been reached (agreement as to the specific corrective actions to be taken on recommendations made) within 180 days of report issuance. The USDA Office of the Chief Financial Officer tracks and annually reports to Congress the status of final action (implementation of agreed-upon actions) on OIG's audit recommendations.

recommendations with an estimated total potential benefit of over \$751 million. Due to the mission of USDA and the programs administered by the Department, a significant number of our recommendations do not present immediate monetary effects; but the impact of these recommendations, once implemented, is immeasurable in terms of safety, security, and public health. Please also note that this information is a snapshot per se of recommendations currently open—audit recommendations are being resolved, final actions are being taken, and new recommendations are being made on a continuing basis—so comparison to other analyses will vary depending on how and when the information is presented.

As to identifying what USDA OIG considers to be the most important open and unimplemented recommendations, we are providing, as an enclosure, information for recommendations contained in the following three audits:

Pending Final Action

- Rehabilitation of Flood Control Dams (10601-1-At)

Pending Management Decision

- Crop Loss and Quality Adjustments for Aflatoxin Infected Corn (05601-15-Te)
- Conservation Security Program (10601-4-KC)

As your office is aware, OIG staff work with agency representatives to resolve audit recommendations to the level where agency officials agree that actions will be taken, preferably within the mandated 6 months of report issuance. Once agreement is reached between OIG and the action office, the USDA Office of the Chief Financial Officer (OCFO) tracks the implementation of agreed-upon actions until final action is achieved. On April 30, 2010, OCFO transmitted a memorandum to all USDA agencies tasking those with unimplemented recommendations to establish a goal to close any “late”⁴ audits by June 30, 2010. If you or your staff require additional information as to how OCFO tracks open audit recommendations to final action, please contact Acting Chief Financial Officer Jon Holladay or a member of his staff at 202-720-5539.

In your letter, you also solicited our opinion about improving the Inspector General Act of 1978. Our comments were included in the April 2, 2010, response provided by Inspector General J. Anthony Ogden, Chair of the Legislation Committee of the Council of the Inspectors General on Integrity and Efficiency (CIGIE). We believe the CIGIE recommendations, if enacted, would benefit the operation of USDA OIG.

With the approval of your staff, we are sharing a copy of this reply with other congressional and USDA entities interested in this topic.

⁴ Mandatory date for final action to be taken is 1 year from the date of final audit resolution (achievement of management decision).

The Honorable Darrell Issa
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We appreciate the opportunity to respond to your request. Should you require additional information, please call me at (202) 720-8001. If you have any questions concerning the division of responsibilities between OIG and OCFO in achieving and tracking management decision and final action on audit recommendations, please have a member of your staff call Mr. Gil H. Harden, Assistant Inspector General for Audit, at (202) 720-6945.

Sincerely,

/signed/

Phyllis K. Fong
Inspector General

2 Enclosures

cc: (with enclosures)
The Honorable Edolphus Towns
Chairman, Committee on Oversight and Government Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Charles E. Grassley
Ranking Member, Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510-6200

The Honorable Thomas A. Coburn
Ranking Member
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental
Affairs
United States Senate
Senate Russell Building 172
Washington, D.C. 20510

The Honorable Tom Vilsack
Secretary of Agriculture

Mr. Jon Holladay
Acting Chief Financial Officer
Department of Agriculture

ENCLOSURE

USDA – OFFICE OF INSPECTOR GENERAL

Open and unimplemented recommendations

(as of May 3, 2010)

*Identify what your office considers to be the **three most important** open and unimplemented recommendations.*

Audit Number	Title	Release Date	Rec. No.	Estimate Cost Savings
Open Recommendations (pending achievement of management decision)				
05601-15-Te	Crop Loss and Quality Adjustments for Aflatoxin Infected Corn	09/30/08	01	\$15,951,016 QC
<p>The Risk Management Agency(RMA) provides crop insurance to producers who may have suffered economic losses due to aflatoxin infecting their corn harvests. In adjusting the loss claims, we found that the approved insurance providers (AIP) accepted extremely low estimated values for the infected corn. We found that producers received far more than the values reported on their loss claims. Therefore, we recommended that RMA recover the improper payments totaling approximately \$15.9 million from the AIPs. RMA agreed with the finding and recommendation, but is in the process of issuing administrative findings to recover the amount. The questioned costs affected 2,000 loss claims.</p>				
10601-4-KC	Conservation Security Program	06/25/09	06, 08, 09, 16, 17, 18, 19, 21, 23	\$4,895,958 QC and FPTBU
<p>The Natural Resources Conservation Service (NRCS) under the Conservation Security Program provided financial assistance to landowners/producers to support ongoing good conservation stewardship on their agricultural lands. We found that NRCS approved participants who were ineligible or made errors in determining eligible practices and/or payments. NRCS agreed with the monetary exceptions, but is still in the process of properly establishing the questioned costs against the participants.</p>				
Unimplemented Recommendations (pending completion of final action)				
10601-1-At	Rehabilitation of Flood Control Dams	08/25/09	06, 10, 11	\$15,208,001 FPTBU
<p>Congress authorized this program for the rehabilitation of aging dams and appropriated funding to NRCS because of "the threats to public safety posted by the aging system of flood control structures" and, thereby, ensure the safety of the public. Because of NRCS' inadequate strategy to implement the program and lack of regulatory authority, we found that NRCS expended funds for assessment of less hazardous dams, for assessment and rehabilitation plans where the dam owners did not implement their plans, and for the rehabilitation of less hazardous dams, before ensuring that all high hazard dams were completed. NRCS agreed with the recommendations, but is still in the process of implementing the recommended management corrective actions.</p>				

Legend

QC – Questioned costs

FPTBU – Funds to be put to better use

OPEN RECOMMENDATIONS by Year of Audit Release (Jan 1 2001 through Mar 31 2010)

SEE EDIT NOTE

as of 04/24/10

U.S. DEPARTMENT OF AGRICULTURE (prepared by the Office of Inspector General - Audit)

This analysis denotes ALL OPEN recommendations reported for this timeframe (regardless of mandatory resolution within 6 months or final action taken within 1 year)

YEAR OF AUDIT RELEASE	NUMBER OF RECOMMENDATIONS MADE	NUMBER OF RECOMMENDATIONS UNRESOLVED (No Mgmt Decision) (OIG)	POTENTIAL BENEFIT FOR RECOMMENDATIONS AWAITING MANAGEMENT DECISION (see footnote 1)	NUMBER OF RECOMMENDATIONS PENDING FINAL ACTION (OCFO) (see footnote 2)	POTENTIAL BENEFIT FROM RECOMMENDATIONS AWAITING FINAL ACTION (see footnote 3)	TOTAL NUMBER OF OPEN RECOMMENDATIONS (UNRESOLVED / PENDING FINAL ACTION)	TOTAL POTENTIAL BENEFIT FROM UNRESOLVED / OPEN RECOMMENDATIONS
Prior to 2001	SEE EDIT NOTE	0	\$0	49	\$11,369,302	49	\$11,369,302
2001	612	0	\$0	8	\$1,416,726	8	\$1,416,726
2002	540	3	\$0	8	\$34,336	11	\$34,336
2003	486	3	\$0	32	\$3,356,631	35	\$3,356,631
2004	616	1	\$0	42	\$39,281	43	\$39,281
2005	423	0	\$0	58	\$332,230,831	58	\$332,230,831
2006	393	0	\$0	41	\$20,282	41	\$20,282
2007	284	3	\$415,710	54	\$3,895,865	57	\$4,311,575
2008	302	6	\$15,951,016	106	\$118,805,344	112	\$134,756,360
2009	281	62	\$224,557,185	138	\$10,366,816	200	\$234,924,001
2010	80	16	\$16,761,958	61	\$11,800,000	77	\$28,561,958
TOTALS	4017	94	\$257,685,869	597	\$493,335,414	691	\$751,021,283

Footnote 1 Potential monies for recovery or funds to be put to better used based on audit findings and recommendations at time of report issuance.

Footnote 2 Amounts reported also include 126 recommendations where management decision has been achieved, but one or more recommendations remain open in the audit so final management decision is still pending. Tracking/reporting by OCFO begins once "final" management decision is reached on an audit.

Footnote 3 Agreed-upon monies to be collected by agencies at the time of management decision; does not reflect interest or excess amounts which may be collected.

Edit Note 2010 data includes timeframe of January 1 - March 31, 2010 (For reference we have added those recommendations pending final action prior to 2001 -- *not in requested parameters*)

REFERENCES

Mandatory date for resolution is 6-months from report issuance

Mandatory date for final action is 1 year from resolution (management decision)

From: YOUNG, ROBERT
Sent: Wednesday, December 17, 2008 4:02 PM
To: [b6]
Cc: [] TIGHE, KATHLEEN
Subject: Re: New Oversight Committee Request: Respond by Dec. 31
Attachments: USDA-OIG closeout request - Waxman.doc

[b6]

Attached is the information requested concerning open audit recommendations. OIG is providing the portion of the information for which we have responsibility and data. It is our understanding that the CFO's office will provide the remaining requested information. If you have any questions please call me at [b6]

Bob

USDA – OFFICE OF INSPECTOR GENERAL

Open Recommendation, by Year (January 2001 through December 2008)
(data current as of December 15, 2008)

In response to your e-mail request dated December 15, 2008, the Department of Agriculture's (USDA) Office of Inspector General (OIG) has prepared a chart summarizing open recommendations – by year – for calendar years 2001 through 2008 (to date). As discussed, this chart includes open recommendations up to the point of achievement of management decision. The Office of the Chief Financial Officer (OCFO) will be providing a similar chart denoting open recommendations that have achieved management decision but actions have not yet been completed by the agency for OCFO to consider the recommendations fully implemented.

The Inspector General Act of 1978, as amended, requires OIG to track and semi-annually report to Congress those audit reports where management decision (agreement by agency officials) has not been reached within 180 days of report issuance. After management decision has been achieved, the USDA OCFO then tracks and annually reports to Congress the status of actions being taken by USDA agencies on OIG audit recommendations—with emphasis on those audits where implementation of agreed-upon actions has not been completed by the agencies within 1 year of management decision.

In our initial response provided in February 2008, as of January 11, 2008, there were 3,353 recommendations made in 583 audit reports issued by USDA OIG from January 1, 2001, through December 31, 2007. At that time, OIG reported that 128 recommendations were pending management decision and 604 were awaiting final action (total 732 recommendations) on audit reports released during that period.

As of December 15, 2008, OIG's records reflect the following which now includes calendar year 2008 (to date as of December 15, 2008):

- 653 audit reports issued (492 contain recommendations, 161 were issued with no recommendations made)
- 3,610 recommendations made
- 55 recommendations made (1.5%) are pending achievement of management decision; of those 55, 34 have not achieved management decision within the legislatively mandated 180 days of report issuance.

The chart you requested for the breakout by calendar year is shown on the following page.

USDA – OFFICE OF INSPECTOR GENERAL
Open Recommendation by Year (January 2001 through December 2008)
 (data current as of December 15, 2008)

Calendar Year	Number of Recommendations	Number of Recommendations Still Open (see footnote 1)	Potential Monetary Benefit from Open Recommendations (see footnote 2)
2001	612	0	\$0
2002	540	4	\$1,536,060
2003	486	4	\$0
2004	616	3	\$164,000
2005	423	1	\$0
2006	393	0	\$0
2007	283	9	\$2,628,653
2008	257	34	\$17,485,725
TOTAL	3610	55	\$21,814,438
Footnote 1	Open Recommendations shown are for those pending achievement of management decision (i.e., agreement between OIG and the agency that actions will be taken to implement the recommendations. OCFO will be reporting on those recommendations that have achieved management decision but are pending final actions being completed by the agency.		
Footnote 2	The amount shown is based on monetary values at report issuance. Once management decision is achieved, the monetary value may be adjusted to (1) include additional monies identified for collection or (2) reflect reductions in monies collected due to agreements that recoveries were post audit justified or waived. The monetary values at management decision are tracked by OCFO until final actions are completed.		

Three Open Recommendations with the Largest Potential Monetary Benefit

Please provide a brief description of the three open recommendations with the greatest potential monetary benefit (cost savings, funds put to better use, new revenue, etc.)

1. In consultation with the Office of the General Counsel, the Rural Business-Cooperative Service should take action to reduce the amount of the loss payments made to the lenders by the value of the missing collateral and the value of the accounts receivable. Audit Report No. 34601-3-At, (Rec. No 1) \$1,536,060 in funds to be put to better use, *Lender Servicing of Business and Industry Guaranteed Loans*, issued January 28, 2002. (NOTE: We have not yet achieved management decision on this recommendation; the legislatively mandated 6-month deadline for management decision on this audit was July 27, 2002.)
2. For crop years 2000 through 2002, collect program payments subject to payment limitation for each year for which the Farm Service Agency determines the producers adopted a scheme or device to evade payment limitation, and for the subsequent year. Audit Report No. 03099-181-Te, (Rec. No. 2) \$1,432,622 in questioned costs, *Payment Limitation Review in Louisiana*, issued May 8, 2008. (NOTE: We have not yet achieved management decision on this recommendation; the legislatively mandated 6-month deadline for management decision on this audit was November 4, 2008.)

3. [Risk Management Agency] Issue administrative findings to recover the improper payments resulting from the approximately \$15,951,016 in crop year 2005 Aflatoxin-infected corn claims for Texas that were calculated using market values of \$.25 or less per bushel. Audit Report No. 05601-15-Te, (Rec. No. 1) \$15,951,016 in questioned costs, *Crop Loss and Quality Adjustments for Aflatoxin Infested Corn*, issued September 30, 2008. (NOTE: We have not yet achieved management decision on this recommendation; the legislatively mandated 6-month deadline for management decision on this audit is March 29, 2009.)



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



February 21, 2008

The Honorable Henry A. Waxman
Chairman, Committee on Oversight
and Government Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515-6143

Dear Mr. Chairman:

In response to your December 7, 2007, letter, requesting the status of recommendations made by the Department of Agriculture's (USDA) Office of Inspector General (OIG), from January 1, 2001, to the present, we have compiled the enclosed information concerning those recommendations that either have not been agreed to or acted on by agency officials. On January 30, 2008, OIG requested—and was provided by the Committee—an extension until February 22 to submit this information. This extension was required due to the volume of information being collected to respond to the Committee's request.

The Inspector General Act of 1978, as amended, requires OIG to track and semi-annually report to Congress those audit reports where management decision (agreement by agency officials) has not been reached within 180 days of report issuance. After management decision has been achieved, the USDA Office of the Chief Financial Officer (OCFO) then tracks and annually reports to Congress the status of actions being taken by USDA agencies on OIG audit recommendations—with emphasis on those audits where implementation of agreed-upon actions has not been completed by the agencies within 1 year of management decision.

There were 3,354 recommendations made in 583 audit reports issued by USDA OIG from January 1, 2001, through December 31, 2007. To date, approximately 2,600 (78 percent) of OIG's recommendations have been implemented. For this report, we are providing the detailed information requested by the Committee for recommendations that have not reached management decision within 180 days of report release and on recommendations that have not been implemented within 1 year of the management decision date. These recommendations are being reported in three categories.

- Audits with recommendations that have not yet achieved management decision within 6 months of issuance (i.e., pending management decision)—shown under section A.
- Audits with recommendations that achieved management decision, but final action has not been implemented within 1 year of the management decision date (i.e., pending final action)—shown under section B.

The Honorable Henry A. Waxman

Page 2

- Audits with recommendations where the reporting agency has requested final action determinations from OCFO (i.e., pending acceptance of final action)—shown under section C.

As of January 11, 2008 (the date of our report), there were 397 unresolved (no management decision) or unimplemented audit recommendations. These recommendations were included in 111 separate audit reports. Of the 397 recommendations, 361 were agreed to by agency managers, but corrective action had not been implemented within the agreed-to timeframe (within 1 year) and 36 involved recommendations where management decision had not been achieved within 180 days of audit issuance.

Should you have questions, please call me at (202) 720-8001, or have a member of your staff call Mr. Robert W. Young, Assistant Inspector General for Audit, at (202) 720-6945.

Sincerely,

/signed/

Phyllis K. Fong
Inspector General

Enclosure

cc:

The Honorable Tom Davis
Ranking Member
Committee on Oversight
and Government Reform
2157 Rayburn House Office Building
Washington, D.C. 20515-6143

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL

STATUS OF RECOMMENDATIONS NOT IMPLEMENTED
FOR AUDITS ISSUED
JANUARY 1, 2001, THROUGH DECEMBER 31, 2007
As of January 11, 2008



A request for information from the
House Committee on Oversight and Government Reform

Introduction and Methodology

Pursuant to the request of the Committee on Oversight and Government Reform, dated December 7, 2007, the Department of Agriculture (USDA), Office of Inspector General (OIG), is submitting a report on audit recommendations made to USDA agencies for audits issued from January 1, 2001, through December 31, 2007, that have not been implemented as of January 11, 2008.

The Inspector General Act Amendments of 1988 require OIG to track and semi-annually report to Congress those audit reports where management decision has not been reached (agreement as to the specific corrective actions to be taken on recommendations made) within 180 days of report issuance. The USDA Office of the Chief Financial Officer (OCFO) tracks and annually reports to Congress the status of final action (implementation of agreed-upon actions) on OIG's audit recommendations.

As of January 11, 2008, there were 732 recommendations pending management decision (128) or final action (604) on audit reports released between January 2001 and December 2007. For this report, we are providing the detailed information requested by the Committee for 36 recommendations that have not reached management decision within 180 days of report release and on 361 recommendations that remain open 1 or more years past the management decision date (final action not yet achieved). Of the 361 recommendations that have reached management decision but have not yet been implemented, 39 are considered by the reporting agency to have achieved final action, but are pending review by OCFO officials to determine if actions taken are adequate to close the recommendation.

This report has been divided into three sections.

- **Section A**, Audits With Recommendations That Have Not Yet Achieved Management Decision Within 6 Months of Issuance (i.e., Pending Management Decision)
- **Section B**, Audits With Recommendations that Achieved Management Decision, But Final Action Has Not Been Implemented Within 1 Year of the Management Decision Date (i.e., Pending Final Action)
- **Section C**, Audits With Recommendations Where Reporting Agency Has Requested Final Action Determinations from OCFO (i.e., Pending Acceptance of Final Action)

Each section contains a summary of the audits being reported. Each audit being reported contains specific information requested by the Committee on the status of the recommendations not yet implemented. This includes:

- (a) A short summary of the recommendation.
- (b) The status of the recommendation, including whether or not USDA agreed with the recommendation and an explanation for the delay in the recommendation's implementation.
- (c) An estimate of costs savings available from implementing the recommendation.
- (d) A description of any non-monetary benefits from implementing the recommendation.
- (e) A short summary of the pertinent OIG audit and its objectives.
- (f) The key findings of the OIG audit.
- (g) The OIG report number and issue date.

We have reported the audits within the mission areas and agencies of the Department. However, some audit reports contain recommendations for one or more agencies. These specific reports have been footnoted to show other agency involvement.

In addition, the Committee had requested—under item (b) above—that the report was to include whether the USDA agency agreed with the cited recommendation. Unless noted otherwise, the agency concurred with the recommendation at the time management decision was achieved.

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FOOTNOTE: There were no unimplemented recommendations to report for the USDA offices not listed above.

SECTION A

**Audits With Recommendations That Have Not
Yet Achieved Management Decision
Within 6 Months of Issuance**

STATUS OF UNIMPLEMENTED RECOMMENDATIONS
For Audits Issued January 1, 2001, through December 31, 2007
AUDITS WITH RECOMMENDATIONS PENDING MANAGEMENT DECISION
(No management decision reached within 180 days of audit release)
NMD Over 180 days as reflected in ARGOS download dated 01/15/08

Action Agency	Assign Nbr	Title	Released Date	Rec Nbr	Monetary Code	Released Amt
RBS	346010003AT	LENDER SERVICING OF B&I GUARANTEED LOANS	01/28/02	1	5	\$1,536,060
RMA	050990014KC	MONITORING OF RMA'S IMPLEMENTATION OF MANUAL 14 REVIEWS/QUALITY CONTROL REVIEW SYSTEM	03/15/02	1		
RMA				3		
RMA				4		
FSIS	246010002KC	FSIS OVERSIGHT OF CONAGRA RECALL	09/30/03	20		
MULTI (RMA/FSA)	500990012KC	USDA - IMPLEMENTATION OF AGRICULTURAL RISK PROTECTION ACT	09/30/03	1		
MULTI (RMA/FSA)				2		
RMA				4		
FSA	500990013KC	HOMELAND SECURITY ISSUES FOR USDA GRAIN AND COMMODITIES INVENTORIES	02/23/04	1		
FSA				3		
FSA				4		
FSA				5		
FSA				6		
FSA				7		
FSA				8		
FSA				9		
FSA				10		
FSA				11		
FSA				12		
RHS	040990143CH	AUDIT OF LITTLE EGYPT PROJECT OPERATIONS, CAIRO, ILLINOIS	09/30/04	1	1	\$164,000
FSIS	246010005AT	HACCP - COMPLIANCE BY VERY SMALL PLANTS	06/24/05	14		
RBS	340990007TE	REQUEST AUDIT OF B&I GUARANTEED LOAN IN ARKANSAS	09/29/05	4		
RUS	096010004TE	BROADBAND GRANT AND LOAN PROGRAMS	09/30/05	10	1	\$30,377,069
RHS	040990341AT	SINGLE-FAMILY HOUSING, BORROWER INCOME VERIFICATION PROCEDURES	08/14/06	3		
FAS	076010001HY	TRADE PROMOTION OPERATIONS	02/22/07	5		
MULTI	505010008FM	INFORMATION TECHNOLOGY - LOST OR STOLEN ITEMS	02/27/07	1		

SECTION A

PENDING MANAGEMENT DECISION

Action Agency	Assign Nbr	Title	Released Date	Rec Nbr	Monetary Code	Released Amt
		CONTAINING SENSITIVE INFORMATION				
CIO				4		
RMA	050990027AT	EVALUATION OF RMA INDEMNITY PAYMENTS FOR 2004 FLORIDA HURRICANES	03/26/07	1	1	\$415,710
FAS	506010012AT	IMPLEMENTATION OF TRADE TITLE OF 2002 FARM BILL AND PRESIDENT'S MANAGEMENT AGENDA	03/28/07	2		
FAS				3		
FAS				4		
FAS				5		
FAS				6		
RHS	046010015CH	CONTROLS OVER SINGLE-FAMILY HOUSING FUNDS PROVIDED FOR HURRICANE RELIEF EFFORTS	03/30/07	4		
RHS				5	5	\$320,152
OCR	606010004HY	REVIEW OF USDA EMPLOYEE CIVIL RIGHTS COMPLAINTS	05/14/07	2		
	16 AUDITS	TOTAL RECOMMENDATIONS REPORTED		36		\$32,812,991

Legends and Notes

General Per OCFO – audits that have not yet achieved complete management decision are not listed in its report. Tracking/reporting begins once complete management decision is achieved.

General Titles are based on those identified in ARGOS and may vary from the actual titles used in the released OIG audit

Monetary Codes

Codes 1-3 Questioned Costs and Loans
 Codes 4-7 Funds to be Put to Better Use
 Codes 8 Identified Accounting Classification Errors

Status Code

NMD Recommendation has not achieved management decision with 180 days of release
 Pending Agencies are currently taking actions to implement recommendations
 Closure Agencies have implemented recommendations and are requesting final action from OCFO

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FARM AND FOREIGN AGRICULTURAL SERVICES

(includes)

**FARM SERVICE AGENCY
COMMODITY CREDIT CORPORATION (under FSA)
FOREIGN AGRICULTURAL SERVICE
RISK MANAGEMENT AGENCY**

FARM SERVICE AGENCY (FSA)

AUDITS RELEASED BUT RECOMMENDATIONS HAVE NOT YET ACHIEVED MANAGEMENT DECISION
WITHIN 6 MONTHS OF ISSUANCE

Audit Number (g):	500990013KC
Audit Title:	Homeland Security Issues for USDA Grain and Commodities Inventories
Release Date (g):	02/23/04
Number of Recommendations:	12
Summary of the Audit Objectives (e):	
Determine if USDA developed and implemented actions adequate to minimize risks of destruction, contamination, and adulteration of USDA agricultural commodity inventories (hereinafter referred to as "USDA agricultural commodities"), including bulk grains, oilseeds, rice, and processed commodities.	
Key Findings (f) :	
The vulnerability of USDA agricultural commodities to threats and attacks has been neither properly determined nor adequately addressed.	
Number of Recommendations Not Yet Resolved:	11
Recommendation Number:	1
Action Agency:	FSA
(a) Summary of unimplemented recommendation	In collaboration with USDA's Homeland Security Office, (HSO) develop food safety and security strategies for commodity operations and related programs and activities.
(b) Status of unimplemented recommendation	<p>FSA generally agreed with the recommendation and discussed with USDA's HSO the audit report and actions that FSA should pursue. The USDA HSO directed FSA to conduct a risk assessment under the supervision of the USDA HSO.</p> <p>FSA planned to conduct its homeland security risk assessment for commodity operations by December 2004, and to use the results of the completed risk assessment to formulate corrective actions for the 11 open recommendations in the report. However, completion of the risk assessment was delayed when OMB denied apportionment for FSA to hire a contractor to guide the agency through the risk assessment.</p> <p>In August 2006, FSA reported that, due to the lack of funding to hire a contractor, FSA determined to conduct the required assessment with the assistance of other Departmental agency personnel trained in facilitating risk assessments. In 2007, FSA participated in three Strategic Partnership Protection Agroterrorism (SPPA) facility risk assessments covering export and country elevators and food warehouses. FSA will use the results of those risk assessments in responding to the audit recommendations and expects to complete its reply to the audit recommendations no later than March 2008.</p>
(c) Estimated cost savings if implemented	Not applicable
(d) Description of non-monetary benefits if implemented	Assurance that USDA has mitigating strategies for potential threats or contamination of USDA agricultural commodities.

SECTION A

PENDING MANAGEMENT DECISION

Audit Number (g):	500990013KC
Recommendation Number:	3
Action Agency:	FSA
(a) Summary of unimplemented recommendation	Incorporate homeland security and safety issues into the agency's Commodity Operations' mission statement, policies, and procedures.
(b) Status of unimplemented recommendation	<p>FSA generally agreed with the recommendation and planned to formulate appropriate corrective action for the recommendation using the results of its homeland security risk assessment for commodity operations. However, completion of the risk assessment was delayed until 2007. (See also Recommendation 1.)</p> <p>FSA will use the results of the 2007 risk assessment(s) in responding to the audit recommendation and expects to complete its reply to the audit recommendation no later than March 2008.</p>
(c) Estimated cost savings if implemented	Not applicable
(d) Description of non-monetary benefits if implemented	Assurance that Commodity Operations gives attention to the safety and security of USDA agricultural commodities in carrying out its various activities relating to the warehousing, acquisition, handling, storage, processing, and disposal of agricultural commodities.
Recommendation Number:	4
Action Agency:	FSA
(a) Summary of unimplemented recommendation	Develop and implement homeland security action plans and tactical procedures for Commodity Operations. This should be accomplished with active participation of all effected stakeholders to the extent practicable.
(b) Status of unimplemented recommendation	<p>FSA generally agreed with the recommendation and planned to formulate appropriate corrective action for the recommendation using the results of its homeland security risk assessment for commodity operations. However, completion of the risk assessment was delayed until 2007. (See also Recommendation 1.)</p> <p>FSA will use the results of the 2007 risk assessment(s) in responding to the audit recommendation and expects to complete its reply to the audit recommendation no later than March 2008.</p>
(c) Estimated cost savings if implemented	Not applicable
(d) Description of non-monetary benefits if implemented	Assurance that Commodity Operations has in place procedures, developed in conjunction with effected stakeholders to the extent practicable, to safeguard USDA agricultural commodities.
Recommendation Number:	5
Action Agency:	FSA
(a) Summary of unimplemented recommendation	In collaboration with FDA and the USDA HSO, implement measures to manage and protect USDA agricultural commodities.