

II. PERFORMANCE SECTION

ANNUAL PERFORMANCE GOALS AND RESULTS

Performance management at USDA is comprised of three principal elements: 1) a strategic plan that depicts the long-term goals and strategies for the Department; 2) an annual performance plan that lays out year-to-year strategies and targets for making progress toward achieving the Department's long-term goals; and 3) a performance and accountability report that relays to Congress and the American people how well the Department did in reaching the goals established in the previous fiscal year.

In addition to comparing actual performance with the performance goals for FY 2002, an analysis of results, strategies, and revised timelines are provided, as appropriate. Actual performance data is presented for fiscal years 1999, 2000, 2001, and 2002 to show performance trends.

To determine whether or not a performance goal was met, agencies considered the applicable performance indicator(s). If agencies concluded that they had successfully met the intent of the performance goal, this report categorizes the goal as "met." In some instances goals are considered to be "met" although some component indicator was not achieved.

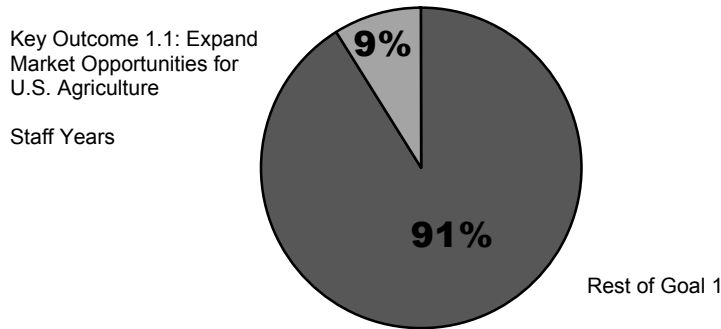
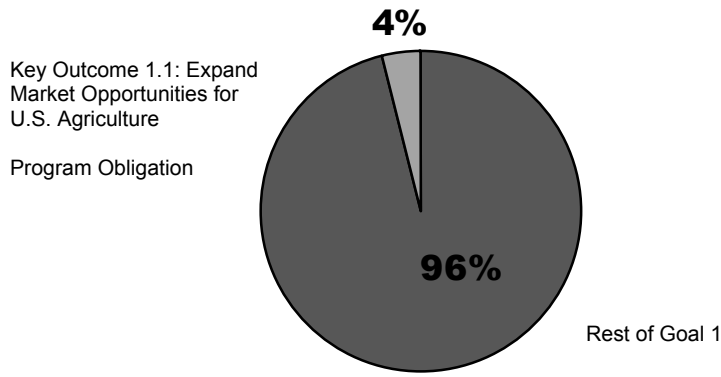
Most of the Department's programs and activities are represented in specific performance goals and targets. However, USDA's Research, Education, and Economics (REE) Mission Area conducts and supports a broad range of research, educational, and statistical activities that contribute to the achievement of our overall goals. The creation of scientific knowledge at the frontiers of biological, physical, and social science and the application of that knowledge to agriculture, consumers, and rural America are core processes for USDA. Accordingly, selected accomplishments in research are found throughout this section.

STRATEGIC GOAL 1: Effectively Carry Out USDA Program Responsibilities with Decisions Based on the Best Available Science and Efficient Program Delivery Systems

Key Outcome 1.1: Expand Market Opportunities for U.S. Agriculture

Exhibit 1: Resources Dedicated to Expanding Marketing Opportunities

USDA Resources Dedicated to Key Outcome 1.1	FY 2002 Actual
Program Obligation (\$ Mil)	4,000.4
Staff Years	10,353



Performance Measure: Improving International Marketing Opportunities

Expanding markets for agricultural products is critical to the long-term health and prosperity of our food and agricultural sector. U.S. farmers have a wealth of natural resources, cutting edge technologies, and a supporting infrastructure that can benefit from expanding global markets and developing new uses for agriculture in industrial and pharmaceutical markets. Expanding sales is key as our farmers and ranchers continue to increase capacity while facing a mature U.S. market.

To expand international opportunities, USDA worked with the Office of the U.S. Trade Representative to pursue new trade agreements and to enforce provisions of existing agreements. We also worked with the U.S. Agency for International Development (USAID) to alleviate hunger and malnutrition.

Exhibit 2: Increasing U.S. Marketing Opportunities

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Increase U.S. agricultural trade:			Met
<ul style="list-style-type: none"> Estimated trade opportunities preserved annually by assuring implementation of existing trade agreements by signatory countries through the World Trade Organization (WTO) notification process (\$ Mil) 	2,200	1,327	
<ul style="list-style-type: none"> Gross trade value of markets created, expanded, or retained annually due to market access activities other than WTO notifications (\$ Mil) 	2,700	3,818	
<ul style="list-style-type: none"> Annual Sales reported by U.S. exporters from on-site sales at international trade shows (\$ Mil) 	250	332	
<ul style="list-style-type: none"> U.S. agricultural exports supported by USDA export credit guarantee programs (\$ Bill) 	3.9	3.4	

Analysis of Results. Despite a year of challenges on the trade front, the upward trend in U.S. agricultural exports continued in FY 2002. We expect exports to reach \$53.3 billion this year, an increase of \$600 million. This increase is particularly noteworthy given the number of trade disputes that resulted in major trading partners temporarily blocking the entry of U.S. products into their countries in FY 2002. Keeping markets open for U.S. food and other agricultural products remains a major USDA priority. We continued to ensure that trade agreements aimed at creating and expanding opportunities for U.S. exporters were fully implemented.

Exhibit 3: Upward Trade Trends

Trends	FY Actual			
	1999	2000	2001	2002
Estimated trade opportunities preserved annually by assuring implementation of existing trade agreements by signatory countries through WTO notification process (\$ Mil)	1,995	837	1,329	1,327
Gross trade value of markets created, expanded, or retained annually due to market access activities other than WTO notifications and/or standards (\$ Mil)	2,527	4,349	2,684	3,818
Annual sales reported by U.S. exporters from on-site sales at international trade shows (\$ Mil)	315	367	360	332
U.S. agricultural exports supported by USDA export credit guarantee programs (\$ Bill)	3.0	3.1	3.2	3.4

We achieved success in our overseas advocacy for market access for U.S. products not covered by the World Trade Organization (WTO) notification process. Preliminary estimates indicate USDA exceeded its FY 2002 target of \$2.7 billion by 41 percent (\$1.1 billion). USDA exceeded its FY 2002 target of \$250 million for on-site sales at international trade shows with sales equaling \$332 million. USDA missed its target for trade opportunities preserved through the WTO notification process in FY 2002 but results paralleled those of FY 2001. USDA also missed its target of \$3.9 billion for General Sales Manager (GSM) export credit guarantee registrations, but we exceeded FY 2001's \$3.2 billion by six percent (\$190 million).

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002: The USDA Office of Inspector General (OIG) reviewed the export credit guarantee programs as part of the annual Commodity Credit Corporation (CCC) financial audit and identified no major issues. The Foreign Agricultural Service's Compliance Review Staff (CRS) reviews approximately five percent of CCC's Export Credit Guarantee Program activity each year. During FY 2002, CRS performed 224 GSM and Supplier Credit reviews covering over \$170 million in sales activity.

On a quarterly basis, USDA assesses the use of the export credit guarantee programs by country and commodity and estimates the use in relation to our Government Performance and Results Act (GPRA) goals and in comparison to total U.S. exports of agricultural products to that market. USDA began a program review of the Supplier Credit Guarantee Program in October 2001 in response to industry requests to increase guarantee coverage under the program. USDA is currently developing an analysis of the risk portfolio that CCC incurs in the export credit guarantee programs to review the history of the programs and examine program volume, fees collected, claims paid, recoveries made, claims rescheduled, claims forgiven and program management costs to determine program sustainability. The primary aim of the portfolio analysis is to assist in making risk decisions for programming to address market opportunities that exceed country risk or bank risk guidelines.

Performance Measure: Reducing Hunger and Malnutrition Around the World

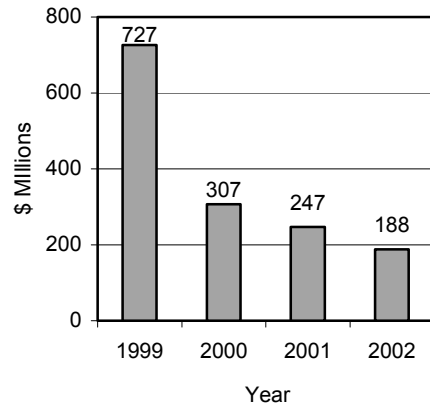
The U. S., along with the 185 other nations participating in the Food and Agricultural Organization (FAO) World Food Summit of 1996, pledged to reduce world hunger and malnutrition through a multi-national approach. Each nation will prepare an action plan and dedicate resources in pursuit of the long-term goal of reducing hunger and malnutrition by 420 million people by the year 2015. The FAO has determined that, on average, the annual reduction in the world's population suffering from hunger should be about 20 million people in order to reach the 2015 goal.

Exhibit 4: Food Aid Exports

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Increase U.S. food aid exports under Public Law 480, Title I and Food for Progress in supporting world food security (\$ Mil)	224	188	Unmet

Analysis of Results. The U.S. is the world leader in international food aid, providing more than 50 percent of total worldwide assistance. During the past year, the Administration has carried out a comprehensive management review of all U.S. foreign food assistance activities to rationalize and reform their administration and to strengthen their effectiveness. As a result of the review, the Administration intends to reduce the number of programs through which assistance is provided and to redefine roles to eliminate program overlap. Accordingly, donations by USDA that rely on the purchase of surplus commodities by CCC will be phased out in 2003 while funding in donations through Public Law (P.L.) 480, Title II (administered by USAID) will be increased. This explains the decrease in food aid shipments under P.L. 480, Title I and Food for Progress and the fact that USDA failed to meet its projected target of \$224 million by approximately \$36 million.

Exhibit 5: Decline in Food Aid Exports



Description of Actions and Schedules. The internationally sponsored long-term goal of reducing hunger and malnutrition by 420 million people by 2015 is not on track, despite encouraging improvements and USDA’s success in achieving a high level of its funded performance targets. In June of 2002, the FAO hosted a midterm review of progress made toward achieving the 2015 goal. USDA will continue to mitigate this trend, primarily via trade capacity building and projects to enhance food security in at-risk countries.

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002:

- USDA received the results of an evaluation of USDA program activities to promote global food security in the summer of FY 2002.
- The General Accounting Office (GAO) and USDA OIG regularly audit food-aid agreements and evaluate our overall performance.

Performance Measure: Supporting Sustainable Food Supplies Worldwide

USDA’s research, training, and technical assistance activities related to building trade and economic capacity via sound science and technology—especially agricultural biotechnology—expanded the goals outlined in our *U.S. Action Plan on Food Security*. We advised on domestic and export policy to meet America’s existing international obligations yet retained ample latitude in pursuing ambitious goals in ongoing and future negotiations. We also sought to achieve consistent and mutually reinforcing domestic farm and international trade policies.

Exhibit 6: Promoting Assistance on Sustainable Food Supplies

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Promote research, training and technical assistance activities that support sustainable food supplies worldwide:			Met
• Projects underway	1,000	795	
• Amount invested (\$ Mil)	56.0	44.5	

Analysis of Results. USDA staff contributed expertise to the Partnership to End Hunger in Africa, a coalition of African and American leaders committed to improving food security and economic development in Sub-Saharan Africa. We also engaged in similar trade and economic capacity-building activities worldwide and expect to continue investing in an average of 1,000 projects each year. While it appears we missed our target for food aid shipments and concessional sales, this target was based on proposed 2002 funding of \$56 million. Actual funding in this area required USDA to adjust these targets. Therefore, based on the actual funding of \$44.5 million, USDA met its performance obligations in this area.

Exhibit 7: Investments on Food Supply Research

Trend	FY Actual			
	1999	2000	2001	2002
Projects underway	789	967	1,005	795
Amount invested (\$ Mil)	39.9	53.8	56.0	44.5

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002:

- An evaluation of USDA program activities to promote global food security is available.
- The GAO and USDA OIG regularly audit food-aid agreements and evaluate our overall process.

Performance Measure: Improving Domestic Agricultural Marketing Opportunities

Today, approximately 150,000 farmers in the U.S. produce most of the nation’s food and fiber and are among the world’s most competitive, meeting domestic needs and supplying large quantities to foreign markets. These farmers are the foundation of the Nation’s food security and underpin the agricultural economy.

USDA facilitates the efficient marketing of U.S. agricultural products through marketing standards and by carrying out a variety of information, technical assistance, grading, certification, inspection, and laboratory services. The Department continues to deliver timely market information, even though the number of markets dramatically increased under newly instituted mandatory livestock price reporting. We plan to implement more sophisticated grain quality measurement methods. USDA also plans to improve wholesale and other direct marketing facilities to encourage farm markets and other endeavors that connect consumers directly with the men and women who produce their food, keeping a larger percentage of America’s food dollar on the farm.

Exhibit 8: Improved Grain Marketing and Financial Trade Practice Protection

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Increase the efficiency of U.S. grain marketing:			Met
• Critical grain quality measurement methods evaluated for improvement (%)	100	100	
• New or improved grain quality measurement methods implemented	40	60	
• Investigations	1,800	1,435	
• Violations corrected/issues resolved within 1 year of investigation's starting date (%)	96	91	
• Monetary recovery to livestock producers and poultry growers resulting from enforcement of the Packers and Stockyards Act (\$ Mil)	19	37.1	

Analysis of Results. New or improved grain quality measurements increased dramatically, from a target of 40 to an actual of 60. Most of the increase resulted from the accelerated implementation of new digital reference images for measuring grain quality.

Targets for the Number of Investigations Conducted and the Violations corrected within one year of their Start Date were not met because of the following factors. In 2002, emphasis was placed on no investigative projects, such as the establishment of a hog contract

library. Secondly, a greater number of packer trusts and bond claims were filed, which required reallocation of investigative resources. Finally, there was a 17 percent increase in the number of investigations referred to headquarters with a request for formal administrative action. The number of cases docketed by the Office of the Hearing Clerk increased 57 percent. Investigations requesting such formal administrative action are more complex and take longer than an average case to resolve. Therefore, fewer investigations were conducted and more of them could not be completed within one-year.

Exhibit 9: Success in Monitoring Grain Quality and Providing Financial and Trade Practice Protection

Trends	FY Actual			
	1999	2000	2001	2002
Critical grain quality measurement methods evaluated for improvement (%)	94	107	97	100
Number of new or improved grain quality measurement methods implemented	49	18	39	60
Investigations	1,218	1,898	1,619	1,435
Violations corrected/issues resolved within 1 year of investigation's starting date (%)	98	96	97	91
Monetary recovery to livestock producers and poultry growers resulting from enforcement of the Packers and Stockyards Act (\$ Mil)	12.6	7.1	20.4	37.1

The monetary recovery target to producers, resulting from investigations and regulatory oversight of the livestock, meat, and poultry industries, was significantly exceeded. The large increase over FY 2001 was primarily the result of recoveries from investigations of several large firms that had failed to pay for livestock, and due to intensified USDA efforts to correct a greater number of financial insolvencies of subject firms.

Program Evaluation. No program evaluations were conducted related to this performance goal in FY 2002.

Selected Examples of Accomplishments in Research, Extension, and Statistics that Contribute to Achieving Key Outcome 1.1

USDA released over 500 national crop and livestock reports covering 120 crop and 45 livestock items critical to maintaining an orderly association between the consumption, supply, marketing, and input sectors of agriculture. Customer demands for readily accessible and timely information on the Internet—USDA’s primary data dissemination channel—continued to grow in 2002. USDA updated and populated additional data sets in its online database, which contains published crop, livestock, and price information. The online database allows customers to create customized tabulations at the National, State, and county level.

Overall, USDA was able to keep its customers and stakeholders up-to-date on important marketing and statistical information by releasing its *Market News* and *National Agricultural Statistics Service* reports in a timely manner. In meeting its deadlines, USDA kept information flowing, which makes agriculture markets more efficient. It also improved the efficiency of food marketing by funding research and technical assistance projects. Such projects assist localities to develop new or upgraded wholesale, collection, and farmers market facilities, and improve food distribution and marketing methods.

USDA provided the following new agricultural statistics to customers:

- *Annual Crop Production* included detailed fruit counts by month. For the first time, the number of wheat heads, corn ears, soybean pods, and cotton bolls are being published for months when fruit are present as well as season final counts. This provided users additional data to evaluate the current month’s forecast and to relate the current forecast to the current crop conditions, final end of season counts, and historic yields. Additional plant population data were also provided for corn. USDA published information on maple syrup, the number of taps and yield per tap, and a breakout on the percent of sales by bulk and wholesale.
- *Nursery and Floriculture Chemical Usage* reported detailed information on chemical applications to nursery and floriculture crops, including information on common pest management practices.
- *U.S. Dairy Herd Structure* reported on the composition of the U.S. dairy herd by size of operation and location.
- *Catfish Production and Trout Production* was combined into one release.

USDA released satellite image maps depicting crop areas in eight states. These images, referred to as the cropland data layer, can be used in geographic information systems (GIS) applications. The crop maps include Arkansas, Illinois, Indiana, Iowa, Mississippi, North Dakota, and portions of Missouri and Nebraska. When the satellite image maps are used in a GIS application and are combined with other data such as soil, transportation networks or weather contours, the image maps are an important tool for watershed analysis, soil utilization evaluations, and crop rotation analysis.

USDA announced the availability of published chemical use statistics through a new website developed by North Carolina State University’s Center for Integrated Pest Management. Data users can now:

1) search agricultural chemical usage data based on crop, year, region, or active ingredient; 2) extract chemical use statistics from previously published data; and 3) create U.S. maps or descriptive charts based on these data. Data are available for crop years 1990–2001.

USDA developed economic analyses of the factors shaping major international markets through published reports on China, Brazil, Argentina, Russia, and Ukraine. The reports evaluated the driving forces—including agricultural policy reform, infrastructure and resource constraints, technology adoption—and provided guidance on the likely future impact on U.S. exports and imports of grains, oilseeds, livestock products, and horticulture.

Using novel bioconversion approaches, USDA scientists have improved the production of fermentable sugars from corn fiber, an abundant corn wet-milling coproduct. These sugars are potential feedstocks for fermentation to produce ethanol and such value added bioproducts as xylitol. Portions of this effort will be conducted in conjunction with collaborators at Cornell University and the Slovak Academy of Sciences. A new bacterial strain that can improve conversion of biomass sugars to ethanol was developed and patented. The development of this organism will lead to more efficient and lower cost ethanol production.

USDA transferred sorting technology enabling the U.S. tree nut industry to consistently meet foreign import standards for quality and aflatoxin presence. These systems were marketed to the U.S. pistachio industry during the summer of 2002. If implemented industry wide, the systems will increase U.S. open shell pistachio production by approximately eight percent and have a payback period of about three months for the required capital investment.

USDA scientists and their university or private sector partners, released scores of more nutritious, more productive, healthier, disease-, toxin- and pest-free cultivars of grains, oilseeds, forages, vegetables, fruits, and ornamentals. These new cultivars will provide a safe and secure supply of food, feed, fiber, ornamentals, and industrial products to U.S. consumers.

USDA researchers developed and introduced value added fruit and vegetable germplasm with enhanced phytonutrient content. These value added cultivars will contribute to improved human health and nutritional status. Candidate releases include carotenoid-enriched tomato and carrot breeding lines and calcium-enriched broccoli germplasm.

With USDA funding, Virginia State scientists promote organic certification for small-scale farmers. In the past two years, the number of new Virginia certified organic farms has grown by more than 30 percent to 120 farms encompassing 6,483 acres. One new crop may be vegetable soybeans. Virginia State researchers have developed 17 new breeding lines. Seventy percent of the U.S. vegetable soybeans are now imported. If the vegetable soybean crop continues to grow, at the current rate, it may replace tobacco as Virginia's small farmers' best crop.

With USDA funding, Nebraska and Florida meat scientists provided the scientific foundation for new products developed from traditionally undervalued beef chuck and rounds. They identified higher value potential in numerous muscles traditionally used for roasts and ground beef. The best-known new cut is the flat iron steak. These new cuts sell for \$2.99 to \$5.99 per pound compared with roasts and ground beef that typically sell for \$1.19 to \$1.99 per pound.

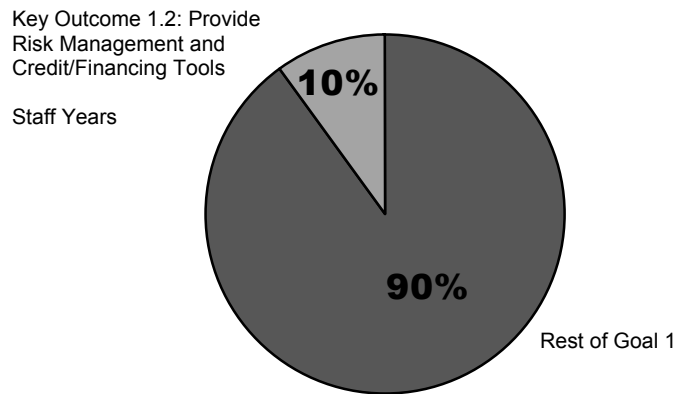
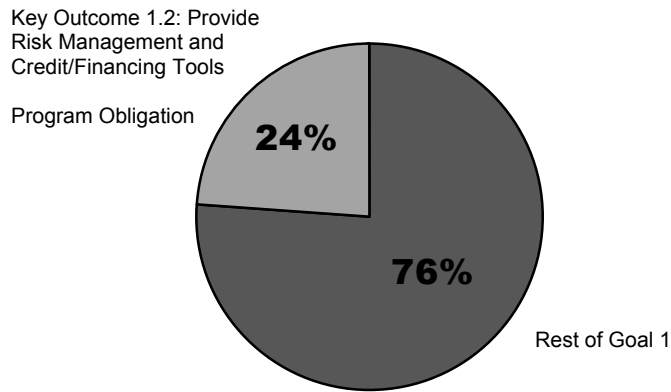
With USDA funding, an Ohio State food scientist found that removing chlorophyll during soybean oil processing prevents the oil's undesirable "grassy" flavor. Major soybean oil processors adopted the practice of producing stable, high-quality soybean oil. Also, with USDA funding, Arkansas researchers developed a soy, whey, cellulose, and wheat gluten coating for eggshells that minimizes egg microbial

contamination. As an added benefit, the coating strengthens shells, which reduces egg breakage that currently costs U.S. producers \$37 million annually.

Key Outcome 1.2: Provide Risk Management and Credit/Financing Tools to Support Production Agriculture, and Improve Quality of Life in Rural Areas

Exhibit 10: Resources Dedicated to Providing Risk Management and Credit/Financing Tools

USDA Resources Dedicated to Key Outcome 1.2	FY 2002 Actual
Program Obligation (\$ Mil)	24,303.6
Staff Years	11,719



Performance Measure: Improving the Safety Net for Farmers and Ranchers

In FY 2002, America's farmers used a variety of USDA's financial risk management tools, including crop insurance, direct USDA payments, marketing assistance loans, farm storage loans, market diversification, contracting inputs and outputs. They established prices, and futures and options markets to bridge agricultural market highs and lows. USDA aggressively pursued research and education to help producers better manage their risks, and we explored options to further expand growing markets for their biobased products.

Exhibit 11: Increasing Use of Risk Management Tools

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Producers have economically sound risk management tools available, and they use them to meet their needs:			Met
<ul style="list-style-type: none"> Participation rate for acres covered by all insurance plans (%—crop year* data) 	77.7	80.0	
<ul style="list-style-type: none"> Participation rate for acres covered by revenue insurance plans (%—crop year* data) 	42.4	43.7	

* For most crops, crop year is defined as the period within which the insured crop is grown and it is designated by the calendar year in which the insured crop is harvested.

Analysis of Results. Crop insurance met its performance goal. Additionally, 157 crop insurance plans were available compared to the target of 149; over \$2.9 billion in crop insurance premiums was booked compared to the target of approximately \$2.8 billion; insurance in force exceeded \$37.3 billion compared to the target of \$34.9 billion. In addition, USDA continued efforts to increase the risk management education activity and participation in revenue insurance plans in underserved States.

Exhibit 12: Increase in Producers Using Risk Management Tools

Trends	FY Actual			
	1999	2000	2001	2002
Participation rate for acres covered by all insurance plans (%) ¹	72.5	76.5	78.0	80.0
Participation rate for acres covered by revenue insurance plans (%)	27.0	31.7	42.2	43.7

¹ Participation rates are calculated from the Risk Management Agency Budget Baseline (October 2001). Changes from previous performance reports reflect more complete reporting of Federal Crop Insurance Corporation data and updates to National Agriculture Statistics Service acreage estimates.

Farm sector gross cash income is projected to be \$229.2 billion in 2002, a decrease from the \$238.5 billion in 2001, but well above the 1992-2001 average of \$215.3 billion. Total cash receipts from the sale of farm products are projected to be \$196.5 billion, so 86 percent of gross cash farm income was from the market. The remaining 14 percent of gross cash income was from direct government payments and other farm-related income.

As indicated above, government assistance in the form of direct payments and marketing loans continued to be an important factor in stabilizing farm income in FY 2002. During FY 2002, more than 1.2 million farmers received production flexibility contract payments totaling almost \$4 billion. USDA also issued more than 2.2 million Loan Deficiency Payments (LDPs) totaling about \$5.4 billion for crop year 2001. Slightly more than 67 percent of the eligible production of major commodities including barley, corn, oats, grain sorghum, wheat and soybeans received a LDP. In addition to direct payments, USDA provided short term financing through the marketing assistance loan program. In crop year 2001, USDA issued 171,000 marketing assistance loans totaling over \$7 billion.

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002: Through the County Operations Review program and program compliance activities, FSA evaluated various components of its farm programs. In addition, OIG completed four audits on select FSA programs.

Performance Measure: Improving the Standard of Living in Rural Communities

More than one-fifth of rural America had persistently high poverty rates in each of the last four decades. Greater investment in public services, jobs, and housing is essential to improve the rural standard of living. To help ensure that all rural communities have equal opportunities to prosper, USDA provided substantial financial and technical help tailored to each community’s unique challenges. Our housing programs made affordable credit available to lower income, rural residents. Our Empowerment Zone and Enterprise Communities (EZ/EC) initiative targeted America’s neediest rural communities. EZ/EC channeled Federal seed money to areas where citizens worked to develop and implement strong community improvement and economic development strategies. Our Water and Electric Programs provided basic infrastructure to many underserved communities. Lack of basic infrastructure is a barrier to economic development. Our increased outreach to communities experiencing persistent-poverty conditions ensured they had equal access to USDA rural development resources.

Exhibit 13: Standard of Living in Rural Communities

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Improve the standard of living in rural communities:			Unmet
<ul style="list-style-type: none"> Communities located in persistent-poverty counties receiving financial assistance to establish or improve a system for drinking water or waste disposal 	230	255	
<ul style="list-style-type: none"> Jobs created or saved through USDA financing of businesses in rural areas 	96,264	76,301	
<ul style="list-style-type: none"> Rural households receiving USDA financial assistance to purchase a home 	55,800	42,069	
<ul style="list-style-type: none"> Ratio of non-Empowerment Zone and Enterprise Communities (EZ/EC) grants to EZ/EC grants invested in EZ/EC communities 	7:1 or greater	16.65/1	

Analysis of Results. The target for homes financed through the Single Family Housing program was not met because fewer guaranteed single family housing loans were obligated than anticipated. The target for jobs created or saved was not met because fewer loan funds were obligated than anticipated. Some 750 rural water systems were developed or expanded to provide safe drinking water compared to the target of 600. Sixty-nine borrowers serving persistent-poverty counties received financial assistance to establish or improve the local electric service compared to the target of 89. Seventy borrowers serving counties experiencing out-migration received financial assistance to establish or improve local electrical service compared to the target of 90. The targets in the Annual Performance Plan were based on the funding initially requested and were not adjusted when the appropriation was received. The adjusted targets, although not met, are included in this report. The persistent poverty and out-migration numeric targets for the Electric Program were not met because the amount of the average loan was much higher than projected; therefore, fewer loans were made. Although fewer counties were served by the electric program, the amount of money provided was significantly more than projected because of the larger average loan size. The target for EZ/EC was exceeded.

Exhibit 14: Rural Standard of Living Continued to Improve

Trend	FY Actual			
	1999	2000	2001	2002
Communities located in persistent-poverty counties receiving financial assistance to establish or improve a system for drinking water or waste disposal	247	219	236	255
Jobs created or saved through USDA financing of businesses in rural areas	79,839	73,502	105,222	76,301
Rural households receiving USDA financial assistance to purchase a home	55,941	45,420	44,073	42,069
Ratio of non-EZ/EC grants to EZ/EC grants invested in EZ/EC communities	8.4:1	10.7:1	17.77:1	16.65:1

Description of Actions and Schedule. For most unmet targets, loan funds were not fully expended. In FY 2003, we plan to use all allocated loan funds. The guarantee fee for Single Family Housing Guaranteed loans has been lowered, which will have a substantial impact on fund utilization. For other Rural Development programs, a return to normal loan levels is anticipated or targets have been adjusted to compensate for fluctuations.

Program Evaluation. It was concluded from Program Assessment Rating Tool (PART) reviews conducted in Summer 2002 that better long-term and annual measures are needed to evaluate program performance.

Performance Measure: Sustaining Family Farms

Beginning farmers, socially disadvantaged farmers, limited-resource farmers, and/or farmers who have suffered financial setbacks from natural disasters or adverse market or production conditions cannot obtain needed credit from conventional sources at reasonable rates and terms. USDA’s farm loan programs make credit available to these farmers. Individual, rural-residence farms are small but collectively control 29 percent of America’s farmland and have considerable impact on the contributions to the national design of conservation and environmental programs. Most rural-residence farmers lose money on farming and have to subsidize these activities with nonfarm earnings or retirement income. Their off-farm income, aided by favorable tax policies, permits them to continue farming.

Exhibit 15: Success in Sustaining Family Farms

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Maintain the percentage of small farms in relation to total U.S. farms at the 1999 level (%)	93	93	Met
Increase the amount of farm operating and ownership loans made or guaranteed to beginning and socially disadvantaged farmers (\$ Mil)	1,120	1,144	Met

Analysis of Results. USDA funded technical assistance to almost 450 small and limited-resource farmers in 14 counties. We also helped farmers obtain private bank and/or government loans to finance their struggling farm operations or to reevaluate their farm operations to decide whether to continue farming.

USDA accomplished its goal of providing additional financial assistance to beginning and socially-disadvantaged farmers in FY 2002 by making or guaranteeing 12,175 farm loans totaling \$1.144 billion, surpassing our target of \$1.12 billion. Loans were used to acquire, enlarge, or improve a farm (farm ownership loans) or provide short- to intermediate-term production or chattel financing (farm operating loans). USDA took additional actions during FY 2002 to strengthen programs aimed at minority and socially-disadvantaged farmers. One such action was establishing an Office of Minority and Socially-Disadvantaged Farmers Assistance within FSA. This office works with minority and socially-disadvantaged farmers who have questions or concerns regarding loan applications filed in local USDA offices, and enhanced our efforts to ensure fair and equitable treatment for all farmers.

USDA’s direct farm loans, which are made to farmers and ranchers who are temporarily unable to obtain commercial credit, carry a high level of risk. During FY 2002, the loss rate on direct loans was 7.3 percent. The increased loss rate can be attributed to the continued economic difficulties facing the farm sector.

Program Evaluation. FSA, through its National Internal Review program and the County Operations Review program, evaluates the farm loan programs each year.

Selected Examples of Accomplishments in Research, Extension, and Statistics that Contribute to Achieving Key Outcome 1.2

Northern Tennessee Farmers Association received funding for the construction of a greenhouse used to produce tobacco seedlings and to experiment with alternative crops. Association members reduced their production costs by almost 60 percent, or an average of \$187.50 per acre. Similar efforts are underway in middle and western Tennessee.

USDA helped North Carolina farmers evaluate alternative production practices to ensure continued farm productivity and enterprise profits. This support improved how selected fields, seed varieties, and harvesting techniques; controlled pests, and adapted equipment improved the financial return on investment of 3,446 producers on 388,290 acres by an estimated \$452 million.

USDA published *U.S. Agricultural Growth and Productivity: An Economywide Perspective* and co-sponsored the Agricultural Productivity: Data, Methods, and Measures Workshop. Workshop papers explored new methodologies for measuring agricultural productivity, highlighted advances in linking productivity growth to research and development expenditures, and examined the impact of accounting for adverse environmental impacts on productivity growth. This USDA work is being used both nationally and internationally.

In preparation for conducting the December 2002 Census of Agriculture, USDA mailed the 2002 Farm Identification Survey to 1.2 million potential farms and ranch properties across the country to help determine their agricultural status. This survey will lead to substantial savings because only qualifying farms will receive the full census package.

USDA-sponsored research reviewed the rural dimensions of welfare reform and found that many rural areas have not shared in the success of welfare reform. Employment in rural areas is often concentrated in low-wage industries; unemployment and underemployment rates are higher; residents have less formal education; distances to work sites are greater; and work support services such as child care and public transportation are less available. As a result, efforts to move low-income adults into the workforce, off of welfare and out of poverty, have been less successful in many rural areas.

Exhibit 16: Maintained Small Farms in Relation to all Farms at 1999 Levels (%)

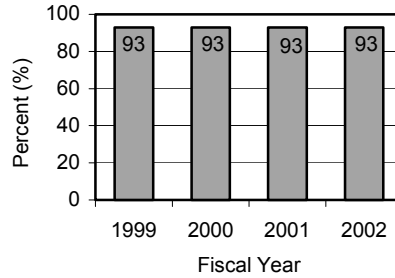
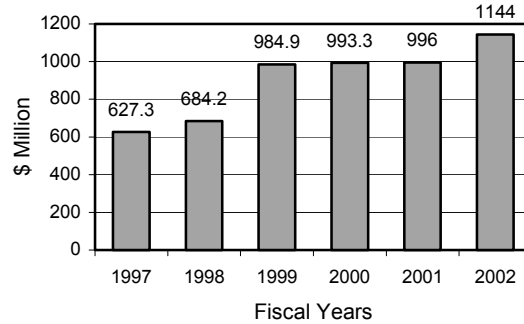


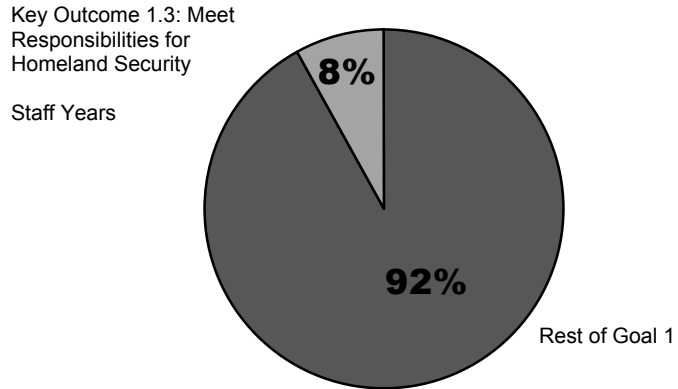
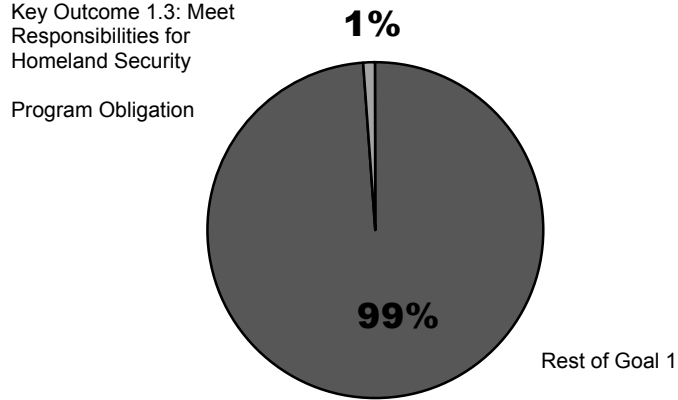
Exhibit 17: Loans to Beginning and Socially Disadvantaged Farmers and Ranchers (\$ Mil)



Key Outcome 1.3: Effectively Meet Responsibilities for Homeland Security

Exhibit 18: Resources Dedicated to Homeland Security Responsibilities

USDA Resources Dedicated to Key Outcome 1.3	FY 2002 Actual
Program Obligation (\$ Mil)	1,389.7
Staff Years	8,998



No performance measures specific to this Key Outcome were contained in USDA's FY 2002 Annual Performance Plan. The Key Outcome, Effectively Meet Responsibilities for Homeland Security, was first introduced in USDA's Revised Strategic Plan for FY 2002–2007. Relevant measures will be reported in next year's Performance and Accountability Report.

USDA programs implemented prior to the events of September 11, 2001, are tied to performance measures found throughout this document. The terrorist attacks had a significant impact on the operations in a number of USDA mission areas. The resulting effect placed additional demands and challenges on both funding and human resources to implement various program and security enhancements to ensure the safety of our Nation and its citizens.

USDA has unique, critical responsibilities to help provide for the security of the U.S. and its citizens:

- Ensuring the safety of the U.S. food supply and the security of the U.S. agricultural production system.
- Protecting the Nation's natural resource base and environment.
- Participating in Government-wide efforts to plan for, and respond to, releases or threatened releases of hazardous substances.
- Ensuring the availability of an adequate supply of affordable food and fiber to meet the needs of our citizens.
- Developing guidance on security countermeasures to protect against threats to farms and ranches.

Selected Examples of Accomplishments in Research, Extension, and Statistics that Contribute to Achieving Key Outcome 1.3

USDA, in collaboration with the Department of Defense, has developed rapid on-site tests that detect and identify important animal, plant and foodborne pathogens. Development of these new rapid detection technologies enhanced the ability of animal health officials in regulatory capacities (Animal and Plant Health Inspection Service [APHIS] and State Departments of Agriculture) to determine if a disease agent is present, where it is located and when it is eradicated, if possible. This will reassure our trading partners of our ability to detect and control disease agents.

With USDA funding, the Extension Disaster Education Network (EDEN), a multi-state coalition of extension services across the country that responds to a wide range of disasters, is playing a pivotal role in responding terrorist threats and the homeland security efforts. EDEN, with its more than 30 Land-Grant University members, helps plan and coordinate local, state, and federal responses to disasters—natural or human-made. It also works closely with the U.S. Office of Homeland Security.

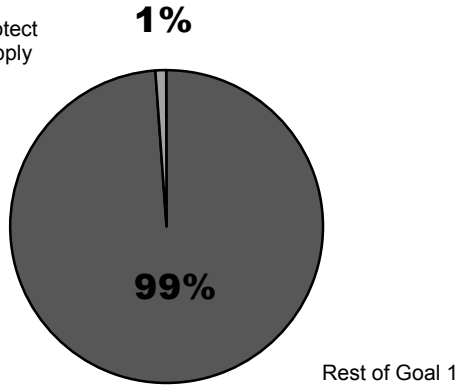
Key Outcome 1.4: Continue to Use the Best Available Science, Information and Technology to Protect the Nation’s Agriculture and Food Supply

Exhibit 19: Resources Dedicated to Protect the Nation’s Agriculture and Food Supply

USDA Resources Dedicated to Key Outcome 1.4	FY 2002 Actual
Program Obligation (\$ Mil)	1,315.8
Staff Years	13,607

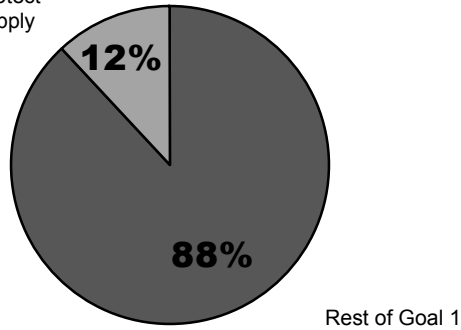
Key Outcome 1.4: Protect the Nation’s Food Supply

Program Obligation



Key Outcome 1.4: Protect the Nation’s Food Supply

Staff Years



Performance Measure: Reducing the Number and Severity of Pest and Disease Outbreaks

Safeguarding America’s animal and plant resources from invasive pests and diseases is essential to enhancing the agricultural trade that underlies much of America’s prosperity and to housing, feeding, and clothing our Nation. To keep crop and animal pests and diseases out of the U.S. and to manage those inside our borders, USDA sponsored prevention activities that reduced the number of pest and disease outbreaks and coordinated effective pest and animal disease emergency response systems that reduced the severity of pest and disease outbreaks. We partnered with Federal and State agencies, industries, and professional organizations to develop and maintain effective emergency response systems to detect, respond to, and eliminate outbreaks of invasive pests and diseases. We also partnered with other nations and Federal agencies in research and operations that proactively prevent such outbreaks.

Exhibit 20: Number and Severity of Pests and Diseases

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Reduce the number and severity of pest and disease outbreaks in the U.S.:			Deferred
• International air travelers not complying with restrictions to prevent the entry of pests and diseases (%) ¹	3.3	3.3	
• States and territories meeting standards for state animal health emergency management systems (# cumulative)	5	5 ²	

¹ Actual compliance rates may vary as much as 0.5% due to the margin of error associated with statistical sampling.

² Preliminary Data - Results for this measure will not be verified or validated until FY 2003 or 2004 since Animal and Plant Health Inspection Service has just received the funding necessary to hire emergency veterinary managers in the field to work with the states to verify and validate the national self-assessment results. While the assessment tool is to be completed jointly by State and Federal veterinary officials, objective oversight and review is needed and will be done in late 2003 or early 2004. At that time, a comprehensive review will be completed.

Analysis of Results. This goal has been deferred because 1) results for the compliance of international air travelers cannot be verified or validated until approximately six months after the end of the previous fiscal year (March) because of time required to aggregate and validate the data, and 2) results for the Number of States and Territories meeting standards for state and Animal Health Emergency Management will not be verified or validated by APHIS until FY 2003 or 2004.

Exhibit 21: Reducing Pest and Disease Outbreaks

Trend	FY Actual			
	1999	2000	2001	2002
International air travelers not complying with restrictions to prevent the entry of pests and diseases (%)	4.2	4.8	4.0	3.3*
States and territories meeting standards for state animal health emergency management systems (# cumulative)	0	0	1	5*

* Preliminary data

USDA improved travelers’ compliance with agricultural restrictions by: 1) adding inspection and outreach activities at many Ports-of-Entry nationwide; 2) gathering better risk assessment data for non-U.S. agricultural products; 3) adding new inspection tools, such as improved X-ray technology that more accurately detects agricultural products in passenger baggage; 4) increasing dog detection teams at many Ports-of-Entry; and 5) expanding our cooperation with other Federal inspection service agencies, such as U.S. Customs Service and Immigration and Naturalization Service. We helped States and territories verify the data collected on meeting standards for state animal health emergency management systems and collected success stories and best practices from high-performing states to assist low-performing states.

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002:

- International air traveler compliance: We completed a comprehensive external review of the Plant Protection and Quarantine program’s Agricultural Safeguarding System, including Agricultural Quarantine Inspection data and the Work Accomplishment Data System. Results showed good year-to-year uniformity for most pathways.

- Animal Health Emergency Management System: An external panel of experts completed a comprehensive review of the Veterinary Service’s Agricultural Safeguarding System. The panel suggested that a process be developed to review a States’ emergency preparedness capacity. USDA, in conjunction with state and industry officials, developed a State self-assessment tool. There are plans to hire USDA personnel to verify and validate State self-assessment data. These personnel will be trained to conduct reviews and provide objective analysis of the self-assessment process.

Performance Measure: Reducing the Incidence of Foodborne Illnesses Related to Meat, Poultry, and Egg Products in the U.S.

An estimated 76 million persons contract foodborne illnesses each year in the U.S. In April 2002, the Centers for Disease Control and Prevention (CDC) released data showing a 21 percent decrease in major bacterial foodborne illnesses during the last six years, indicating significant progress towards meeting the national health objectives to reduce the incidence of foodborne diseases. The decline in the rate of *Salmonella* infections in humans coincided with a decline in the prevalence of *Salmonella* isolated from USDA-regulated products to levels well below baseline levels before Hazard Analysis and Critical Control Point (HACCP) implementation. Although the incidence of infection for several foodborne diseases has declined, the overall incidence of foodborne diseases remains high, indicating that increased knowledge, efforts, and communication are needed. USDA worked toward reducing foodborne hazards by focusing on new research and better scientific methods to: 1) reduce or eliminate food hazards, 2) determine the root causes of food safety problems, and 3) quickly detect and eliminate these problems. Our regulations, voluntary efforts, compliance inspection, and enforcement activities helped manage foodborne risks by influencing those who produce, process, transport, and prepare food. We also communicated data on food safety hazards and risks. The prompt distribution and use of this information helps prevent future risks. We used our more than 7,600 inspectors and veterinarians in meat, poultry, and egg products plants every day, and at Ports-of-Entry to prevent, detect and respond to food safety emergencies.

Exhibit 22: Ensuring the Safety of Meat, Poultry, and Egg Products

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Maintain a coordinated food safety risk analysis system to ensure the safety of U.S. meat, poultry, and egg products from farm to table:			Met
<ul style="list-style-type: none"> Risk assessments used to inform risk management decision making and policy (# cumulative) 	4	4	
<ul style="list-style-type: none"> Reduction in the prevalence of <i>Salmonella</i> on raw meat and poultry products as illustrated by: <ul style="list-style-type: none"> Prevalence of <i>Salmonella</i> on broiler chickens (%) Prevalence of <i>Salmonella</i> on market hogs (%) Prevalence of <i>Salmonella</i> on ground beef (%) 	9.0	11.6	
	5.5	4.3	
	3.0	2.8	
<ul style="list-style-type: none"> Reduction in the prevalence of <i>Listeria monocytogenes</i> in ready-to-eat meat and poultry products: <ul style="list-style-type: none"> Samples testing positive for <i>Listeria monocytogenes</i> (%) 	1.40	1.02	
People reached with food safety information through media stories, circulation reports, incoming web site visits, and incoming hotline calls (Mil)	89	90	Met

Analysis of Results. Overall, the food safety analysis system met its goals. In April 2002, a scientific symposium on *E. coli* O157: H7 was held. In the area of food safety we met our goals. In October 2002, we announced new meat safety directives to control pathogens in ground beef processing plants. Under these new directives, inspectors will determine whether plants have specifically addressed *Salmonella* and *E. coli* O157: H7 in their HACCP plans and have effective control measures for these pathogens. Ground

beef plants that do not employ effective strategies, or that do not require their suppliers to do so as part of their HACCP systems, will be targeted for increased USDA verification testing. USDA currently tests for *Salmonella* and *E. coli* O157:H7 in grinding plants to verify that the plants' food safety systems are controlling microbial hazards. Under the HACCP rule, if a plant does not have an adequate HACCP plan or an adequate sanitation program, the USDA can withhold marks of inspection or suspend inspection at a plant, which effectively shuts down the plant. To further guide policy making, several risk assessments have been conducted or are underway to evaluate the risk associated with certain microbiological pathogens.

During 2002, we completed a comparative risk assessment of intact and non-intact (blade tenderized) steaks that yielded greater insight into the effects of various cooking

methods and temperatures. We completed a risk assessment regarding nitrosamines in bacon to evaluate the risk to public health from nitrosamines in bacon based on consumption analyses data and compared these risk estimates to those of other allowed residues in meat and poultry products. We also conducted a quantitative risk assessment for Bovine Spongiform Encephalopathy (BSE) in collaboration with scientists from the Harvard School of Public Health and Tuskegee University School of Veterinary Medicine. The external peer review has been completed and the assessment is being revised in response to comments received. This revised assessment will be used to evaluate various risk scenarios to further reduce the potential risk of BSE and to ensure that potentially infectious materials do not enter the U.S. food supply. We are continuing our efforts to issue a final rule on *Listeria monocytogenes* in ready-to-eat products. Our efforts include an analysis of *Listeria* contamination of ready-to-eat products, the development of a *Listeria* risk assessment to take into account post-lethality contamination during processing and in-plant mitigation strategies.

While the data on prevalence of pathogens shows a continuation of downward trends, the presence of certain pathogens, like *E. coli* O157:H7 on raw products and *Listeria monocytogenes* on ready-to-eat products, can result in serious foodborne illness. When foodborne illness outbreaks occur, FSIS works with the Centers for Disease Control and Protection (CDC) to match molecular subtyping of pathogens isolated from patients with pathogens from products. As public health agencies are able to link specific products to specific human illnesses and to link sporadic cases to a common source, it is possible to identify outbreaks that might previously have been missed. In 2002, efforts of this type, combined with food safety assessments in plants with positive results for pathogens, enabled FSIS to secure the evidence necessary to take regulatory action that resulted in two of the largest recalls ever. Based on information obtained through the food safety assessments and the pattern of these recalls, FSIS has implemented

Exhibit 23: Declining Instances of *Salmonella* and *Listeria*

Trends	FY Actual			
	1999	2000	2001	2002
<ul style="list-style-type: none"> Risk Assessments used to inform risk management decision-making and policy (# cumulative). 	2	2	2	4
<ul style="list-style-type: none"> Reduction in the prevalence of <i>Salmonella</i> on raw meat and poultry products as illustrated by: <ul style="list-style-type: none"> - Prevalence of <i>Salmonella</i> on broiler chickens (%) - Prevalence of <i>Salmonella</i> on market hogs (%) - Prevalence of <i>Salmonella</i> on ground beef (%) 	11.3	8.7	11.9	11.6*
	6.6	7.6	4.5	4.3*
	4.4	3.6	2.6	2.8*
<ul style="list-style-type: none"> Reduction in the prevalence of <i>Listeria monocytogenes</i> in ready-to-eat meat and poultry products <ul style="list-style-type: none"> - Samples testing positive for <i>Listeria monocytogenes</i> (%) 	1.91	1.45	1.26	1.02
People reached with food safety information through media stories, circulation reports, web site visits, and USDA Meat & Poultry Hotline calls (Mil)	83	85	150	90

*Data from October 1, 2001 through approximately September 15, 2002. USDA considers them final and reliable for FY 2002.

major policy changes associated with the regulation of products found to have *E. coli* O157:H7 and *Listeria monocytogenes*.

We exceeded our targets in three of four indicators for reducing the prevalence of *Salmonella* and *Listeria monocytogenes*. This accomplishment not only exceeds FY 2002 targets but also exceeds two of the targets for 2005. However, prevalence fluctuates widely, and the prevalence of *Salmonella* on broiler chickens continues to be a concern. We are looking into the causes of fluctuation in rates. One rationale is that testing is conducted randomly and, depending upon the entity tested in any given year, results can vary. Given the history of the plants in question, we are considering increasing activities to include not only random sampling but also sampling when there is an indication that problems exist. For this reason, we have scheduled a risk assessment for *Salmonella* on broiler chickens.

We met our target for the numbers of people reached with food safety information. Of the millions of people potentially receiving food safety information, we estimate that 20 percent or 90 million were actually reached. We exceed our cumulative target of 51 for the number of stakeholder activities held. The actual number of stakeholder events conducted rose to 61.

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002:

- In December 2001, the Agency completed an evaluation titled “Changes in Consumer Knowledge, Behavior, and Confidence since the 1996 HACCP final rule.” The study provided an understanding of consumer knowledge, confidence and behavior of food safety.
- In March of 2002, the Agency concluded “Evaluation Interim Report: Recall System Recommendations.” This report clarified the goals, policies and procedures of the recall system.
- The General Accounting Office (GAO) issued an audit report regarding the HACCP-Based Inspection Models Project (HIMP) in December 2001. The Agency has completed some activity to address the issues raised and plans to complete all corrective actions recommended during FY 2003.

Selected Examples of Accomplishments in Research, Extension, and Statistics that Contribute to Achieving Key Outcome 1.4.

Within the last five years, U.S. farmers have adopted the first generation of genetically engineered crop varieties at rates not usually seen for a new technology. USDA research has investigated the magnitude and distribution of benefits and risks associated with genetically engineered seed providing enhanced pest protection. The research addressed the farm-level effects of adopting the seed on costs, yields, profits, and pesticide use, the factors affecting observed and projected patterns and rates of adoption, and how measurable benefits and costs of adoption are distributed among farmers, input suppliers, and consumers. This information helps policymakers carry out their roles as co-regulators of these new technologies, and informs the broader public of their benefits and costs.

USDA scientists have developed a same-day, on-site portable molecular assay for the Pierce’s disease bacterium, which threatens the five billion dollar California grape industry. Field tests demonstrate that infected grape stock can be diagnosed within 1–2 hours. Conventional identification of the pathogen takes ten days to two weeks because the organism is difficult to isolate.

USDA scientists have developed new vaccines against Foot and Mouth disease, respiratory disease in cattle, and swine influenza. These vaccines will help producers combat diseases where it exists and increase preparedness for foreign diseases should they occur in this country.

USDA scientists discovered several new human attractants and five new attractant inhibitors to mosquitoes. Both attractants and repellents have value in the control of insect borne diseases. Attractant inhibitors may lead to new classes of economically competitive, efficacious repellents for use on animals or

humans. Attractants can be used to increase the efficiency and specificity of traps used for disease surveillance, as for the West Nile virus.

USDA scientists designed and evaluated treatment processes for the microbial decontamination of pork and beef trim. The treatment processes were shown to reduce and control fecal bacteria on beef and pork and in the resultant ground product without a large negative effect on meat quality.

USDA scientists developed risk assessment models for *Listeria*, *Salmonella*, and *Campylobacter* in poultry products. These predictive and simulation models assist industry and regulatory agencies in making critical food safety decisions that affect public health.

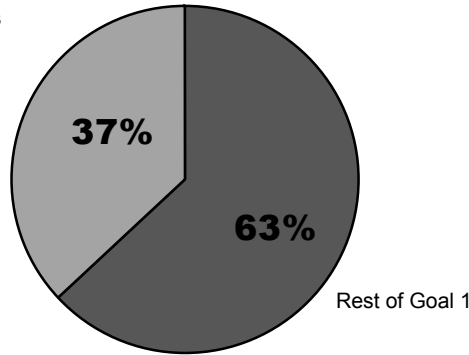
Key Outcome 1.5: Improve the Nation's Nutrition and Health through Food Assistance and Nutrition Education and Promotion

Exhibit 24: Resources Dedicated to Improving the Nation's Nutrition and Health

USDA Resources Dedicated to Key Outcome 1.5	FY 2002 Actual
Program Obligation (\$ Mil)	37,777.2
Staff Years	2,910

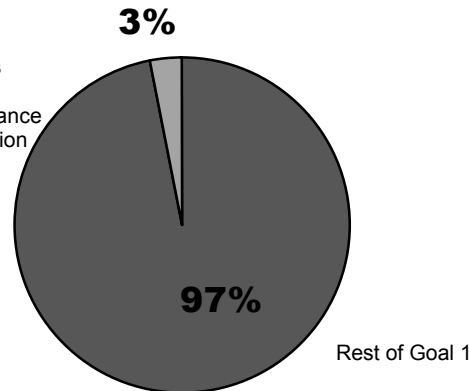
Key Outcome 1.5:
Improve the Nation's
Nutrition and Health
through Food
Assistance and
Nutrition Education
and Promotion

Program Obligation



Key Outcome 1.5:
Improve the Nation's
Nutrition and Health
through Food Assistance
and Nutrition Education
and Promotion

Staff Years



Performance Measure: Reducing Hunger and Improving Nutrition in the U.S. Through the Nutrition Assistance Programs

USDA policy has sought to ensure that all Americans have access to a healthy and nutritious food supply, regardless of income. A well-nourished population is healthier, more productive, and better able to learn. No child or family in need should be left behind for want of food.

USDA’s nutrition assistance programs constitute the majority of the Federal government’s effort to reduce hunger and improve nutrition in the U.S. By working with the States to maintain program access for those who are eligible and to ensure effective benefit delivery for participants, USDA seeks to ensure access to food for those with little income and few resources. The programs were generally successful in achieving this outcome in FY 2002.

Note: The number of people reached with food safety information is reported in the discussion of Key Outcome 1.4: Continue to Use the Best Available Science, Information and Technology to Protect the Nation’s Agriculture and Food Supply, (see pp. 32-36).

Exhibit 25: Nutrition Assistance Results

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Expand program access and benefit delivery for USDA nutrition assistance programs (Millions):			Met
• Food Stamp Program participation (people)	19.8	19.1	
• Special Supplemental Nutrition Program for Women, Infants, and Children (people)	7.5	7.5	
• National School Lunch Program (people)	28.0	27.9	
• School Breakfast Program (people)	8.1	8.1	
• Child and Adult Care Food Program (meals)	1,754	1,740	
• Summer Food Service Program (people)	2.1	1.9	

Analysis of Results. USDA met the FY 2002 nutrition assistance program participation goals. As program participation is voluntary, we based our participation performance projections on assumptions about economics and other factors such as State and local outreach efforts expected to affect the behavior of eligible populations.

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); Child and Adult Care Food Program; and National School Lunch and School Breakfast programs performed substantially as expected.

Exhibit 26: Nutrition Assistance Programs Reached Those in Need

Trends (In Millions)	FY Actual			
	1999	2000	2001	2002
Food Stamp Program participation	18.2	17.2	17.3	19.1
Special Supplemental Nutrition Program for Women, Infants, and Children (people)	7.31	7.20	7.30	7.5
National School Lunch Program (people)	26.9	27.2	27.4	27.9
School Breakfast Program (people)	7.4	7.6	7.8	8.1
Child and Adult Care Food Program (meals)	1,638	1,671	1,678	1,740
Summer Food Service Program (people)	2.17	2.09	2.11	1.9

The Summer Food Service Program (SFSP) did not perform as expected; participation fell significantly below the FY 2001 level. USDA targeted growth in this program as a major priority in FY 2002. The Department continued significant outreach and information efforts, and expanded waivers that simplify program operations for schools and for sponsors of programs in low-participation States. Despite these efforts, the anticipated growth did not occur. However, because provided access for children to nutritious

food during the summer when school is not in session remains an important USDA objective, the Department plans to continue to work with program stakeholders on outreach and expansion efforts.

The Food Stamp Program average monthly participation did not reach the level projected. This reflects lower-than-anticipated participation at the beginning of the year and somewhat lower-than-expected unemployment rates through the course of the year (seasonally adjusted monthly unemployment rates averaged 5.7 percent instead of the predicted 5.8 percent). Participation nonetheless increased substantially—about ten percent—between FY 2001 and 2002, and the program served nearly two million more participants by fiscal year end.

Projection of Food Stamp Program participation is based in large part on macro-economic factors, rather than specific policy or administrative actions. USDA remains committed to ensuring that all eligible people have access to nutrition benefits afforded by the Food Stamp program. USDA is pursuing a range of efforts in the current fiscal year to reach out to targeted groups of non-participants that are hardest to reach and possibly most in need, including immigrants, the elderly, and working families. The Department is also testing potential policy and program changes to improve access to the program, and developing and using new tools, such as web-based eligibility “pre-screening,” and a toll-free information number, to make more people aware of their potential eligibility.

As part of the Farm Security and Rural Investment Act of 2002 (2002 FSRIA), USDA restored funding in FY 2002 to serve additional seniors, women, infants, and children in the Commodity Supplemental Food Program for Vermont and Montana, and increased by \$2.5 million funding for Community Food Security Grants helping low-income households gain access to fresher, more nutritious food supplies and assisting communities in responding to their own nutritional issues.

Program Evaluation. The following analyses and evaluations related to this outcome were completed in FY 2002:

- Household Food Security in the U.S., 2000
- Family Child Care Home Participation in the Child Adult Care Food Program (CACFP)—Effects of Reimbursement Tiering: A Report to Congress on the Family Child Care Homes Legislative Changes Study
- Summer Feeding Design Study: Final Report
- The Food Stamp Program and Food Insufficiency
- Second Food Security Measurement and Research Conference, Volume II: Papers
- The Well-Being of the Poor: Demographics of Low-Income Households
- Explaining Recent Trends in Food Stamp Program Caseloads: Final Report
- The Effects of the Macro economy and Welfare Reform on Food Stamp Caseloads
- Pre-1997 Trends in Welfare and Food Assistance in a National Sample of Families
- Imposing a Time Limit on Food Stamp Receipt: Implementation of the Provisions and Effects on Food Stamp Participation
- Household Food Security in the U.S., 1995–1997: Technical Issues and Statistical Report
- Characteristics of Food Stamp Households, FY 2001
- Reaching Those In Need: Food Stamp Participation Rates in the States in 1999

Performance Measure: Improving Diets in U.S. Through the Nutrition Assistance Program

To improve diet quality among those eligible for Federal nutrition assistance programs and their caregivers, USDA advanced an integrated approach to nutrition education through and across these programs in FY 2002, and improved access to fruits and vegetables.

Exhibit 27: Improving Diet Quality Through Assistance

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Promote better diet quality among children and caregivers eligible for Federal nutrition assistance programs:			Exceeded
• USDA nutrition education materials and education interventions disseminated (# Mil)	4.8	13.2	
• Women, Infants, and Children (WIC) mothers initiating breastfeeding (%)	45	Available FY 04	
Improve access to fruits and vegetables:			Met
• Fruits and vegetables provided to schools (\$ Mil)	171	199	
• Sites on Indian reservations receiving fresh fruits and vegetables	83	86	

Analysis of Results. USDA was generally successful in implementing its nutrition education strategies to promote healthy eating behaviors among those eligible for Federal nutrition assistance programs and their caregivers. Disseminating significantly more materials than originally anticipated, we also met our goal to improve participants' access to fruits and vegetables in schools and in the Food Distribution Program on Indian Reservations. (Note: USDA tracks the implementation of nutrition promotion and education efforts during the year; mechanisms to evaluate the annual impact on the diets of those targeted by these efforts generally are not available.)

Exhibit 28: Better Diet Quality and Access to Fresh Fruit/Vegetables Grew Among Target Segments

Trend	FY Actual			
	1999	2000	2001	2002
USDA nutrition education materials and education interventions disseminated (#Mil)	N/A	1.6	2.7	13.2
WIC mothers initiating breastfeeding (%)	N/A	45	N/A	Available FY 04
Fruits and vegetables provided to schools (\$ Mil)	155	221	245	199
Sites on Indian reservations receiving fresh fruits and vegetables	58	59	83	86

Highlights include:

- Delivered over 13 million nutrition education materials and interventions for all major nutrition assistance programs in all 50 States.
- Completed four train-the-trainer programs on techniques that foster behavioral change and that improve the effective use of USDA nutrition education materials.
- Trained 40 WIC State agencies on updated WIC Nutrition Services Standards to provide information and support their efforts to enhance the provision of nutrition services.
- Provided technical assistance in the form of grants to nine States to implement the Loving Support breastfeeding campaign, in support of their efforts to promote breastfeeding through WIC as the preferred infant feeding practice. (FY 2002 data on breastfeeding initiation will be available in FY 2004.)
- Worked with 20 State and regional dairy councils to promote healthy eating environments in schools by reinforcing the use of *Changing the Scene* resource kit.

- Completed as planned Team Nutrition demonstration project activity in four states. Due to their success, the projects were extended through February 2003. They are intended to develop and deliver national training on this comprehensive approach to school-based nutrition promotion.
- Conducted over 3,500 School Meals Initiative monitoring reviews, more than the 2,900 targeted. This level of effort indicates a continued high degree of commitment by States to provide oversight in this area. Variance between the target and actual review activity reflects flexibility in scheduling reviews during a multi-year cycle, as well as additional efforts by States to conduct follow-up reviews to ensure corrective action is undertaken.
- Purchased \$199 million in fruit and vegetable commodities to support school programs, exceeding the FY 2002 target. It should be noted that \$41 million of this amount represents bonus commodity purchases made during FY 2002.
- Distributed fresh fruits and vegetables to 86 sites on Indian Reservations exceeding the target of 83 sites. The increase reflects an expansion of sites administered by Indian Tribal Organizations participating in the Food Distribution Program on Indian Reservations (FDPIR). These organizations received the fresh produce program under an agreement between USDA and the Department of Defense. The President’s FY 2003 Budget requests an additional \$3 million for FDPIR equipment purchases. Much of this money would likely support efforts to expand fresh produce in the program.
- As part of the 2002 FSRIA, provided new funding for programs that allow seniors and low-income women, infants, and children to purchase fresh food at farmers’ markets.

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002:

- Nutrition Education in Food Nutrition Service (FNS): A Coordinated Approach for Promoting Healthy Behaviors
- Effects of Food Assistance and Nutrition Programs on Nutrition and Health: Volume 1, Research Design
- The Economic Benefits of Breastfeeding: A Review and Analysis
- Reimbursement Tiering in the CACFP: Summary Report to Congress on the Family Child Care Homes Legislative Changes Study
- Meals Offered by Tier 2 CACFP Family Child Care Providers—Effects of Lower Meal Reimbursements: A Report to Congress on the Family Child Care Homes Legislative Changes Study

Performance Measure: Ensuring Better Diet Quality

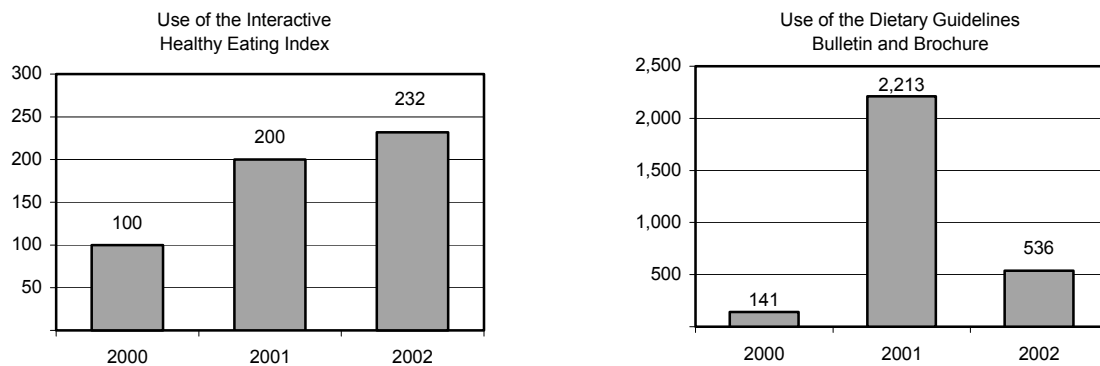
USDA applied education, promotion, research, and assistance program resources to improve diet quality. In addition to our *Dietary Guidelines for Americans (2000)*, we issued the *Healthy Eating Index*, which enables the general public to assess their diet and receive tailored recommendations for improvement via the Internet.

Exhibit 29: Improving Diet Quality

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Individuals using the Healthy Eating Index to assess and improve their diet	120,000	231,926	Exceeded
Copies of the 2000 Dietary Guidelines disseminated to help individuals improve their diet	550,000	536,461	Met

Analysis of Results. The target for FY 2002 for the *Healthy Eating Index* was exceeded. Over 231,926 visitor sessions were held, with individuals accessing the *Healthy Eating Index* at www.cnpp.usda.gov to ascertain whether they had a “good diet,” a “diet that needs improvement,” or a “poor” diet. Users of this index also received recommendations to help them improve their diets. Users spent, on average, 25 minutes per session.

Exhibit 30: People Using the Eating Index and Dietary Guidelines (thousands)



The target for FY 2002 for the *Dietary Guidelines* was an estimate, and actual distribution was within 2.5 percent of the estimate. The target was lower than that for the previous year, since the 2000 *Dietary Guidelines* materials, newly released in FY 2001, were disseminated extensively in their first year of release. However, there is continued widespread interest in the 2000 *Dietary Guidelines*, which provide scientifically-based guidance on nutrition and health related behaviors.

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002:

- *Interactive Healthy Eating Index.* Constituents using the index provided comments via the Internet.
- *Dietary Guidelines for Americans (2000).* No program evaluations were conducted.

Selected Examples of Accomplishments in Research, Extension, and Statistics that Contribute to Achieving Key Outcome 1.5.

USDA researchers have taken a new approach to developing econometric projections of food demand and expenditures to 2020 to explore how projected changes in the profile of the U.S. population will affect the markets for food categories and agricultural commodities. Empirical results from these projected changes have been integrated with qualitative and quantitative information on structural change in the food sector to explain how consumer markets are driving change in the food industry and creating new marketing relationships and opportunities for agricultural producers.

USDA researchers developed a tool to document directly the extent of food insecurity and hunger caused by income limitations and refined and extended the measurement of food security by developing a children’s food security measure and a 30-day food security scale. New measures of food security were introduced based on food expenditures and participation in emergency food pantries and emergency kitchens.

USDA scientists have examined the biological activity of phytonutrients that may be protective against the development of certain chronic diseases. Oolong tea was found to increase energy expenditure, relative to water, and was effective in increasing preferential oxidation of fat. Compounds in blueberries and cranberries may have beneficial actions against the development of vascular disease and may contribute to the reduction of age-related deficits in neurological impairment.

Expanded Food and Nutrition Education Program (EFNEP), a USDA-funded Extension program, targets two primary audiences: low-income youth and low-income families with young children. EFNEP reached 447,027 youth and 164,154 adults last year. Moreover, 600,930 family members were indirectly reached through the adult participants. As a result, out of 106,062 adult graduates, 83 percent improved in one or more food resource management practices.

With USDA funding, Iowa State researchers found that a single daily dose of plant sterols, the plant version of cholesterol, added to lean ground meat lowers blood cholesterol. Plant sterol-supplemented lean ground meat reduced Low Density Lipoprotein (LDL), or so-called bad cholesterol, by 15 percent when eaten once a day.

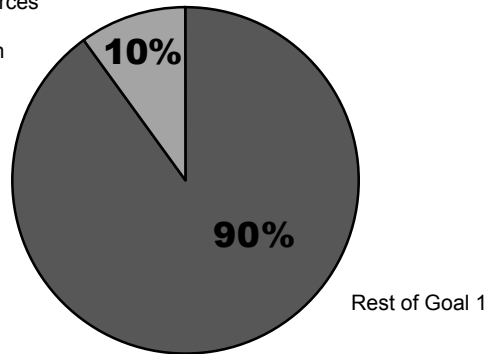
Key Outcome 1.6: Provide Sensible Management of Our Natural Resources

Exhibit 31: Resources Dedicated to Managing Our Natural Resources

USDA Resources Dedicated to Key Outcome 1.6	FY 2002 Actual
Program Obligation (\$ Mil)	10,641.5
Staff Years	52,144

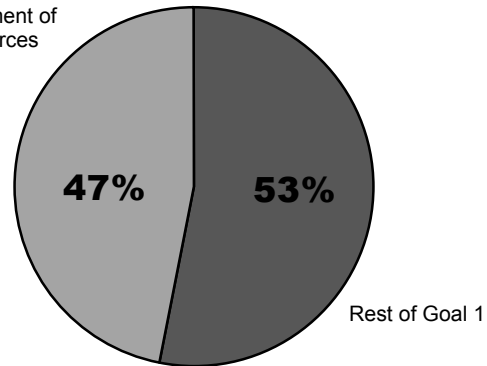
Key Outcome 1.6: Provide Sensible Management of Our Natural Resources

Program Obligation



Key Outcome 1.6: Provide Sensible Management of Our Natural Resources

Staff Years



Performance Measure: Maintaining Resource Health and Productive Capacity

Healthy cropland, grazing land, and forestland are essential to the Nation's agricultural economy. Maintaining and improving the quality of the Nation's soils and plant communities increases farm productivity, minimizes nutrient and pesticide use, protects water and air quality, and helps store greenhouse gases. USDA helps agricultural and forestland managers develop natural resources for long-term sustainability. Assistance to producers for working lands includes providing technical assistance; sharing the cost of applying conservation practices; conducting natural resource inventories and research; and developing and transferring up-to-date technology. USDA also provides rental payments to retire sensitive land from crop production and protect it under permanent vegetation.

USDA and the U.S. Department of the Interior (DOI) jointly released the report, *Managing the Impact of Wildfires on Communities and the Environment*. This report presented the National Fire Plan (NFP) strategy to reduce catastrophic wildfire risks, protect rural communities, and increase firefighting readiness. To implement NFP, the USDA and DOI worked with the States to develop a ten-year Comprehensive Strategy and a collaborative Implementation Plan framework for implementing the strategy. The NFP, Comprehensive Strategy, and the Implementation Plan will guide USDA's future efforts to protect communities and manage wildland fire on and around the 192 million acres of National Forests and Grasslands.

Exhibit 32: Maintaining Productivity and Health of the Land

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Maintain the productivity and health of the Nation's non-Federal cropland and grazing lands: <ul style="list-style-type: none"> Acres of working cropland and grazing land protected against degradation by application of improved conservation systems (Mil annually)¹ Acres of highly erodible and environmentally sensitive cropland and grazing land retired from production and protected against degradation under Conservation Reserve Program (CRP) contracts (Mil cumulative) 	17.0 34.2	17.0 ² 33.9	Met
Treat wildlands with high fire risks on National Forests and Grasslands to reduce the risk of loss of life, property, and natural resources from catastrophic wildfire: <ul style="list-style-type: none"> Hazardous fuel treatments (acres) Maximize firefighting production capability—Most Efficient Level (MEL) (%)⁵ Communities and volunteer fire departments assisted³ 	1,750,496 100 9,232	718,290 95 8,170	Unmet

¹ Acres are those on which the practices applied during the fiscal year resulted in complete application of a full conservation system. Cropland does not include acres enrolled in the Conservation Reserve Program

² Includes 0.2 million acres of non-Federal forestland

³ The "Most Efficient Level" of wildland firefighting resources is a formula-driven calculation (using 10-year averages of fire occurrence and weather patterns) of the resources needed to be prepared for an average year of fires on a specific unit. MEL varies from unit to unit on the ground. It is usually reported as the percentage of funding received compared to the calculated level.

⁴ These figures include State and Private activities and National Fire Plan activities

⁵ For FY 2003, this measure will be changed to Fire Chains per hour.

Analysis of Results. The indicator for working cropland and grazing land includes only land on which the producer finished applying a conservation system that considered all of the site's resource concerns: soil, water, air, plants, and animals. USDA also provided assistance on an additional nine million acres of working cropland and grazing land where resource concerns were treated at a less

Exhibit 33: Improving the Land

Trend	Fiscal Year Actual			
	1999	2000	2001	2002
Acres of working cropland and grazing land protected against degradation by application of improved conservation systems (Mil annually)	N/A	15.6	16.2	17
Acres of highly erodible and environmentally sensitive cropland and grazing land retired from production and protected against degradation under CRP contracts (Mil cumulative)	29.8	31.5	33.6	33.9

comprehensive level. The conservation on these acres, although not comprehensive, provides significant environmental benefits. In FY 2002, USDA helped producers apply erosion reduction practices on 4.6 million acres of working cropland.

In FY 2002, grazing land made up slightly more than 11.7 million acres of the 17 million acres of working land on which USDA provided assistance to the resource management level. Slightly more than one-third of these grazing land acres received both financial and technical assistance. Financial assistance was primarily through USDA's Environmental Quality Incentives Program (EQIP). Of the five million acres of working cropland where producers applied treatment to the full resource management system level, about 29 percent received financial assistance under EQIP.

Exhibit 34: Fluctuations in Wildland Fire Activities Due to Fire Season Severity (2000 and 2002 Experienced Severe Wildland Fire Seasons).

Trend	Fiscal Year Actual			
	1999	2000	2001	2002
Hazardous fuel treatments (acres)	1,412,281	772,375	1,361,697	718,290
Maximize firefighting production capability —MEL (%)	69	74	97	95
Communities and volunteer fire departments assisted ¹	2,450	2,990 ²	3,062	8,170 ³

¹ A change in data tracking methodology occurred between 2000 and 2001. Data from 1999 and 2000 did not distinguish between communities and volunteer fire departments assisted, thus leading to underreporting. Beginning in 2001, these items are being tracked separately and added together to produce this performance measure.

² An estimate based on eight of nine Regions reported from the Forest Service.

³ This figure includes State and Private activities and National Fire Plan Activities.

Land retired from cropping and planted with protective covers represents the total acreage enrolled in Conservation Reserve Program (CRP), which is currently 33.9 million acres. The CRP helps farm owners and operators conserve and improve soil, water, air, and wildlife resources by converting highly erodible and other environmentally sensitive land to long-term resource conserving cover.

Hazardous fuels treatments were 650 thousand acres less than FY 2002 targets for two related reasons: lack of available staff and drought conditions across much of the U.S. During severe fire seasons, staff and resources were reassigned to fire suppression. The reduced acreage in FY 2000 and FY 2002 reflect both drought conditions and severe fire seasons.

Estimated most efficient level (MEL) was five percent less than originally projected. Not meeting MEL was a conscious decision based on the cost of achieving the target. The large increase in MEL in FY 2001 was because of the large increase in preparedness funding appropriated to USDA to implement the NFP.

The number of communities and volunteer fire departments assisted was measurably less than projected due to a redirection of funds to wildland fire suppression. The large increase in the number of community and volunteer fire departments assisted in FY 2002 results from counting the outputs associated with NFP activities.

Description of Actions and Schedules. Drought and a severe fire season—factors external to USDA’s control—caused us to fall short of FY 2002 targets for hazardous fuel treatment. Not meeting the target slows the process of protecting communities and the environment and helping our National Forests return to historic levels of fire severity and frequency. In FY 2003, we will resume projects delayed because of the severe fire season and drought, based on available funding. We adjusted our FY 2002 target of funding 100% of calculated MEL because the cost was too high. This resulted in hiring 530 fewer firefighters and maintaining 170 fewer fire engines than if we had full funding equaling the calculated MEL. No action can be taken to make up this shortfall since the MEL target reduction relates only to the FY 2002 funding needs

calculation and FY 2002 funding availability. Despite this, firefighting support by the USDA to communities or volunteer fire departments only fell short of planned programs by two communities.

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002:

- USDA conducted program evaluations via its Natural Resources Conservation Service (NRCS) national oversight and evaluation staff. In FY 2002, we also conducted a major study to determine, at the sub-State level, the cost of implementing each of the key conservation practices in local field office technical guides. NRCS conducted more narrowly-focused studies of the agency's technology structure and preparatory activities to implement the third-party Technical Service Provider provision of the 2002 Farm Security Rural Investment Act (2002 FSRIA). All of these studies provided data that is critical to ensuring efficient delivery of the expanded conservation programs authorized by the 2002 FSRIA.
- USDA evaluates components of its conservation programs each year through program compliance activities and the County Operations Review Program.
- USDA reviews have provided both on-the-ground accountability and a tool to make course corrections for the NFP in the future.
- USDA reviews included overall program function assessment (DOI collaboration) and annual financial accountability.
- USDA evaluates annually the National Fire Management Analysis System (NFMAS) certification process for technical and financial programs of Regional fire management planning and operations to ensure consistent and credible organizational and budget information across regional boundaries.
- USDA also collaborated with DOI and other partners to finish FY 2001 efforts to review and develop new joint performance measures; reviewed and initiated recommendations made by National Academy of Public Administration (NAPA) in the report "Managing Wildland Fire: Enhancing Capacity to Implement the Federal Interagency Policy"; and contracted with NAPA to review wildland fire suppression strategies and costs.

Performance Measure: Protecting the Environment

Americans expect their environment to provide adequate supplies of clean water, clean air, and pleasant and healthy places to live. USDA plays a vital role in ensuring that these expectations are met. We manage the National Forests and Grasslands, work with private landowners and natural resource managers to ensure that their activities do not create hazards to human health or the environment, and work closely and cooperatively with other governmental and non-governmental entities to improve the environment in rural and urban communities.

During FY 2002, USDA worked with producers, rural communities, and State and local agencies to plan and implement resource development and management that protect the environment yet meet the varied needs of the community. We worked to restore and improve watersheds on private land and on and near the National Forests and Grasslands to secure all of the benefits healthy watersheds provide—from contributions to clean air and water to opportunities for abundant wildlife habitat. We also worked to reduce the large potential liabilities for sites releasing or threatening to release hazardous substances to the environment on USDA managed lands.

Exhibit 35: Protecting and Improving the Environment

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Protect water and air quality against the risk of impairment as a result of agricultural production:			Met
• Animal feeding operations with comprehensive nutrient management plans (CNMP) developed or applied	7,854	8,566	
• Acres with conservation measures applied to reduce potential for off-site pollution by nutrients (Mil annually)	4.6	5.5	
• Acres in conservation buffers (Mil) ¹	2.35	2.27	
• Reduced sheet and rill erosion on cropland and grazing land entered into Conservation Reserve Program (CRP) (Mil tons annually)	179.9	179	
• Reduced wind erosion on cropland and grazing land entered into CRP (Mil tons annually)	250.6	251	
• Carbon sequestered in soil and vegetation through long-term retirement of crop and grazing land (Mil metric tons annually)	16.4	16.4	
Restore or improve rangeland and forestland watersheds in the National Forests and Grasslands:			Unmet
• Soil and watershed improvements (acres)	21,256	36,417	
• Terrestrial habitat restored or enhanced (acres)	284,738	227,356	
• CERCLA ² cleanups completed	17	29	
• Abandoned mine sites reclaimed	20	42	

¹ Includes both Farm Service Agency cumulative and Natural Resources Conservation Service annual data

² Comprehensive Environmental Responses, Compensation, and Liability Act

Analysis of Results. USDA joined with local partners to help develop 5,214 comprehensive nutrient management plans (CNMPs) and to install 3,352, slightly exceeding the target. FY 2002 was the first year in which performance was reported in terms of the new CNMP guidance; performance in past years was reported for waste management systems, which were not as complex as the new CNMPs.

USDA increased its technical assistance to producers to respond to the public’s concerns about the effect of fertilizer and animal wastes on water quality.

Conservation buffers were applied under several USDA programs. The total for FY 2002 includes 114,400 acres of buffers applied with Conservation Technical Assistance

Exhibit 36: Soil Improvements

Trend	FY Actual			
	1999	2000	2001	2002
Animal feeding operations with CNMP developed or applied	6,170 facilities applied	11,000 waste systems	10,520 waste systems	8,566 CNMPs
Acres with conservation measures applied to reduce potential for off-site pollution by nutrients (Mil annually)	2.7	4.3	5.4	5.5
Acres in conservation buffers (Mil)	1.2	1.5	1.75	2.27
Reduced sheet and rill erosion on cropland and grazing land entered into CRP (Mil tons annually)	N/A	166.2	178.0	179.0
Reduced wind erosion on cropland and grazing land entered into (Mil tons annually)	N/A	240.6	249.8	251
Carbon sequestered in soil and vegetation through long-term retirement of crop and grazing land (Mil metric tons annually)	14.6	15.4	16.0	16.4

only, 2.1 million acres of land retired and established in conservation buffers in CRP, and 60,000 acres established with other USDA cost-share and technical assistance. USDA’s conservation partners play a significant role in encouraging buffer application.

USDA helped prevent 430 million tons of erosion on CRP lands, including 179 million tons of sheet and rill erosion and 251 million tons of wind erosion. We also sequestered 16.4 million metric tons of carbon on CRP lands.

Exhibit 37: Environmental Improvements

Trend	FY Actual			
	1999	2000	2001	2002
Soil and watershed improvements on National Forests and Grasslands (acres)	35,562	29,899	31,836	36,417
Terrestrial habitat restored or enhanced on National Forests and Grasslands (acres)	266,744	192,373	241,123	227,356
CERCLA cleanups completed	39	24	47	29
Abandoned mine sites reclaimed	15	N/A	154	42

On National Forests and Grasslands, changed work priorities, increased costs, and lowered work quality caused fluctuations in trends for soil and watershed improvements and terrestrial habitat restorations or enhancements over the past few years.

The trend for habitat restoration increased during the past two years after falling by 28 percent in 2000. This was the first year USDA used the Budget Formulation and Execution System (BFES) to develop targets.

USDA completed 29 comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) cleanups in FY 2002. However, many of the 2,000 remaining environmental cleanups are larger, more complex, and more controversial than those completed to date, which will present new challenges to USDA's environmental cleanup program. Most sites subject to the Resource Conservation and Recovery Act, such as underground storage tanks (approximately 2,000), were addressed between 1988 and 1998.

Although individual site complexity can cause considerable variation in the number of abandoned mine sites reclaimed in one year, USDA consistently met its targets for reclaiming sites.

Additional accomplishments in FY 2002 include:

- Applied pest management practices on 5.2 million acres.
- Enhanced urban environments by acquiring 58,083 acres (31 out of 31 states reporting as of December 2002) through the Legacy Project Acquisition and assisting local governments and communities to develop 569 group and area plans that address farmland protection and the effects of non-agricultural activities on ground water and surface water quality.
- Protected or enhanced 2.925 million acres of wetlands and associated upland under multi-year contracts or easements.
- Enhanced wildlife habitat by retiring 18.2 million acres from cropping and planting to vegetative cover best suited to wildlife.
- Improved habitat for fish and wildlife by application of practices on 9.9 million acres of working cropland, grazing land, forest, and other land (annually).
- Operated developed sites to standard, which served 95.07 million Persons At One Time (PAOT).
- Provided benefits to property and safety through flood damage reduction as a result of completing 79 watershed protection structures.

- Provided assistance to Resources Conservation and Development Councils to complete 4,145 projects that improved communities.
- Assisted 11,780 communities through the Urban and Community Forestry Program.

Description of Actions and Schedules. Using the new BFES process to estimate the output level, shifting priorities or emerging needs, and costs or quality of the outputs caused the actual acres of terrestrial habitat restored or enhanced to fall 57,382 below the target. In FY 2003 USDA expects to continue similar project work on National Forests for the highest priority needs based on available funding. Not meeting the target will delay the anticipated benefits derived from treating watersheds, habitat, or abandoned mine cleanup.

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002:

- USDA conducted internal reviews and evaluations through a national Oversight and Evaluation Staff.
- In FY 2002 USDA conducted a study of National Resources Inventory, which is the major source of reliable trend data on conditions on non-Federal land.
- Forest Service initiated a review of its Management Attainment Report (MAR) reporting requirements to evaluate MAR relevancy to current needs and the need to develop a Project Work Planning System. The initial system would create a planned program of work, possibly integrating reporting accomplishments with costs and linking the Forest Service (FS) Strategic Plan with performance reporting requirements.

Selected Examples of Accomplishments in Research, Extension, and Statistics that Contribute to Achieving Key Outcome 1.6.

Nutrient enrichment is one of the major sources of water quality impairment. Large confined animal operations (CAFOs) have drawn special attention as an agricultural source of nutrients. USDA researchers assessed the economic and water quality implications of nutrient management policies. USDA findings were instrumental in USDA and Environmental Protection Agency (EPA) interaction and EPA's development of rules implementing the new CAFO management requirements and new rules for assessing and managing watershed Total Maximum Daily Loads (TMDL). These insights have shaped a more efficient rule that will reduce water quality impairment at least cost to agricultural production and the economy as a whole.

Herbicides and conventional management techniques cannot control Yellowstar thistle, a major Eurasian invasive weed of crops, rangeland, and natural areas. USDA scientists completed testing and applied for field release of a fungus (*Puccinia jaceae*). They determined that the fungus was specific and very damaging to Yellowstar thistle, obtained release approval from Californian regulators, and are awaiting final Federal release approval. This is the first time in the modern regulatory era in the United States that a plant pathogen has gone through the regulatory process. If the final regulatory hurdles are passed and the fungus is released, there is an excellent chance to reduce Yellowstar thistle populations that lower rangeland productivity and threaten valuable native plants.

Leaving some crop residue on the field following harvest can reduce soil erosion from farm fields. Tools to quantify crop residue cover are needed to assess the effectiveness of this conservation tillage practice. USDA researchers using ground-based and aerial hyper spectral sensors measured the reflectance spectra of green vegetation, crop residues, and bare soil. A spectral reflectance index was developed using the reflectance data that can separate soil from residue, and measure the amount of soil covered by residue. The results provide a means of mapping conservation tillage practices and assessing erosion susceptibility over large areas which can be used to further reduce soil erosion and improved water quality. Forested lands adjacent to agricultural fields have been shown to reduce nitrogen concentration of water moving from the fields to adjacent streams and waterways. USDA has determined that forested zones

bordering agricultural fields can be harvested for lumber, fuel wood, or pulpwood, and still function as filters for groundwater nitrate reduction. This indicates that these forested areas can be managed with long-term strategies to provide wood products or bio-fuels while maintaining water quality, and enabling producers to meet nutrient TMDL limitations.

To reduce harmful phosphorus levels in surface water, Wisconsin researchers, with USDA funding, have altered the diets of dairy cows, cutting their phosphorus intake by one-third. As a result, the amount of phosphorus in manure was reduced by 50 percent. Moreover, runoff from fields fertilized with low-phosphorus manure contained just one-tenth as much phosphorus as runoff from fields fertilized with conventional manure. In addition, the new low-phosphorus diet allows producers to save \$12 to \$15 per cow per year. With 1.3 million cows in the state, Wisconsin will save \$16 million each year.

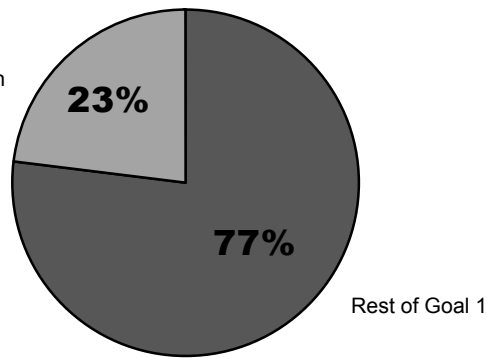
Key Outcome 1.7: Effectively Implement the Farm Security and Rural Investment Act of 2002

Exhibit 38: Resources Dedicated to Implementing the Farm Security and Rural Investment Act

USDA Resources Dedicated to Key Outcome 1.7	FY 2002 Actual
Program Obligation (\$ Mil)	23,396.3
Staff Years	12,602

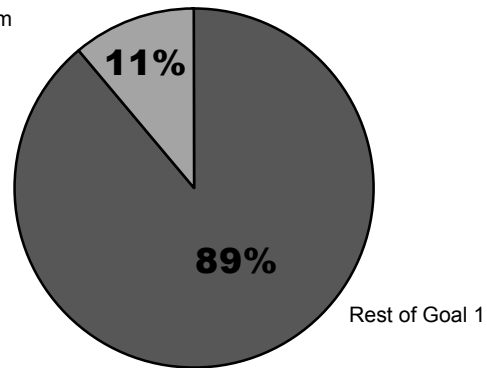
Key Outcome 1.7:
Implement the Farm
Security and Rural
Investment Act

Program Obligation



Key Outcome 1.7:
Implement the Farm
Security and Rural
Investment Act

Staff Years



No performance measures specific to this Key Outcome were contained in USDA's FY 2002 Annual Performance Plan. The Key Outcome, Effectively Implement the Farm Security and Rural Investment Act of 2002, was first introduced in USDA's Revised Strategic Plan for FY 2002–2007. Relevant measures will be reported in next year's Performance and Accountability Report.

The Farm Security and Rural Investment Act of 2002 (2002 FSRIA) was passed in May 2002. The 2002 FSRIA mandated many changes to existing programs and required the creation of new ones. For example, the new law allows producers to update historical acreage bases and yields; creates a new system of counter cyclical payments; establishes new loan rates for traditional program crops; creates new payment programs for dairy, wool, mohair, honey, and pulse crops; and requires significant changes to the peanut program.

The 2002 FSRIA provides rebalanced loan rates and is consistent with our international trade obligations. The Act contains record-level support for environmental stewardship, a renewed commitment to renewable fuels programs, and additional investments to help expand international markets, rural community programs, and food stamp assistance for low-income Americans.

For the first time, an Energy Title IX was included in the 2002 FSRIA. The Title has features that will increase economic opportunities for farmers, ranchers, and rural communities by providing new markets for agricultural commodities.

Section 9002 established a new program requiring all Federal agencies to purchase biobased industrial products made from agricultural raw materials and a USDA labeling program for biobased products. Other provisions make loans and grants available for developing biorefineries and for renewable energy projects. The CCC will continue the bioenergy subsidy program for using agricultural feedstocks to make ethanol and biodiesel. The Agricultural Research Service will receive small increases in research directed to bioenergy.

USDA took immediate steps to execute the 2002 FSRIA effectively and efficiently. We launched a new website (www.usda.gov/farmbill), cross-linked with major USDA agencies' websites, that focused on providing farmers, ranchers, and other stakeholders with the latest information and announcements on the 2002 FSRIA, and explaining its provisions and economic implications, as well as comparing it to the Act it succeeded. The Secretary established a Board of Directors (the Board), consisting of Subcabinet members and chaired by the Secretary and a working group to coordinate implementation of the 2002 FSRIA. The Board oversees the Farm Bill Implementation Working Group, which includes members from all USDA mission areas. Field and headquarters personnel are working together to develop policy and implement programs. The Working Group oversees implementations and makes regular progress reports on nearly 500 actions undertaken to implement the 2002 FSRIA. USDA also makes regular program announcements to inform USDA constituents about our progress on implementing the 2002 FSRIA and providing faster, more efficient and accurate services to the farmers, ranchers, and other stakeholders.

Selected Examples of Accomplishments in Research, Extension, and Statistics that Contribute to Achieving Key Outcome 1.7.

USDA has refocused reporting of aggregate farm income to reflect a broader set of measures that present a truer picture of the well-being of farm households than any single income measure. Most farmers have multiple jobs and dual careers, with both farm and non-farm income and investments. USDA reporting now reflects a more complete picture of a household's well-being; it examines levels of farm and non-farm income, sources of wealth, and ability to support family consumption needs.

STRATEGIC GOAL 2: Enhance the Integrated Operation of USDA Through Execution of the President’s Management Agenda

Key Outcome 2.1: Improve Human Capital Management

Performance Measure: Ensuring Fair and Equitable Service to Customers and Upholding the Civil Rights of Employees

Constant surveillance and periodic major reviews instituted by USDA’s agencies have helped us ensure that our programs reach all who are eligible for them. USDA is making long-term improvements in processing civil rights cases. Applying increased resources and business process improvements has accelerated our case processing. We expect to reduce the time required to investigate an employment civil rights complaint case to within 180 days. Effective systems to process program and employment civil rights complaints will help us to carry out investigations in a fair and timely manner.

Exhibit 39: Civil Rights of Employees

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Major USDA programs reviewed each year (%)	20	20	Met
Reduction in the average number of days it takes to resolve USDA civil rights complaints (%)	5	27	Exceeded

Analysis of Results.

The data shows that major USDA programs have been given a civil rights review every five years. The data on civil rights case processing show that significant progress was made in FY 2002 in reducing processing times. USDA also reviewed all major program and administrative regulations for their impact on civil rights.

Exhibit 40: Civil Rights Case Processing Improved.

Trend	FY Actual			
	1999	2000	2001	2002
Major USDA programs reviewed each year (%)	N/A	20	20	20
Reduction in the average number of days it takes to resolve USDA civil rights complaints (%)	N/A	N/A	1	27

A baseline was not established for minority participation in USDA programs in 2002. In this area, the outreach programs are being reevaluated in FY 2003 and the Outreach for Socially-Disadvantaged Farmers Program is being transferred to the Cooperative State Research, Education, and Extension Service.

Program Cases—Average processing time for program complaints was reduced 38 percent in 2002.

Employment Cases—Average processing time for employment complaints was reduced 22 percent in 2002.

Program Evaluations. The following evaluations, reviews, and/or audits took place during FY 2002:

- USDA agencies review major programs and regulations for Civil Rights Impact and Minority Participation and report their findings annually. Since reviews are principally carried out by program operators in different locations at different times, the results are subject to the different conditions and interpretations; however, the reports are generally considered to be complete and accurate.

Performance Measure: Employee Engagement and Satisfaction

USDA’s human capital management goals focus on restructuring and competing for talent. Competition for the best talent is keen; employees want organizations that offer challenging work, opportunities for professional growth, inspiring leadership, quality work-life, and fair treatment. USDA’s workforce satisfaction exceeds the national average, positioning us to achieve our workforce restructuring goals.

Exhibit 41: USDA Rates Above U.S. Government Worker Satisfaction

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
USDA employee work satisfaction rate above U.S. Government worker satisfaction (%)	5	TBD	Deferred

Analysis of Results. Data to assess or measure the accomplishment of the employee satisfaction rate is found in the Office of Personnel Management’s (OPM) Government-wide Survey on Human Capital (GWS). This survey has several dimensions and allows us to explore employee perceptions on many important issues, e.g. Strategic Alignment, Strategic Competencies, Leadership, Performance Culture, and Learning (Knowledge Management). The data will allow us to compare our results with private sector as well as government-wide norms. Personal Experience and Job Satisfaction were also areas of the survey. The survey was administered in March 2002. While the survey has closed, OPM has not yet released survey results to agencies. OPM will be using a sequenced or phased information release strategy. A high level, relatively brief report, which provides Government-wide findings on broad information, is scheduled for release in 2003.

Exhibit 42: Employees Reported Above Average Job Satisfaction

Trend	FY Actual			
	1999	2000	2001	2002
USDA employee work satisfaction rate above U.S. Government worker satisfaction (%)	N/A	3	4	Available 12/31/02

Program Evaluations. No program evaluations were conducted in FY 2002.

Performance Measure: Ensuring USDA Acquires Recurring Commercial Services in the Most Cost Effective Way

In accordance with the President’s government-wide initiative to determine if the private sector can perform functions more effectively and efficiently than government employees, USDA submitted a plan to the OMB in FY 2002 for taking competitive bids on approximately 15 percent of the full-time equivalents listed in our Federal Activities Inventory Reform Act (FAIR) inventory of commercial functions. USDA has agreed with OMB to compete approximately 15 percent of our FY 2000 commercial inventory by September 2003.

Exhibit 43: Competitive Sourcing Activities

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Reduction in cost and/or increased productivity of commercial activities:			Met
• Provide timely annual update of FAIR Act Inventory	Yes	Yes	
• Develop plan for incremental competitions/conversion of FAIR Act inventory	Yes	Yes	

Analysis of Results. All USDA agencies are working with OMB to obtain approval of our 2002 Inventory. USDA has a plan for conducting competitions for a portion of our FAIR Act inventory on an ongoing basis.

Program Evaluations. No program evaluations were conducted in FY 2002.

Performance Measure: Increasing the Use of Performance-Based Service Contracting

USDA promoted performance-based contracting focusing on identifying those contracts where making an investment in developing performance-based standards can yield big improvements in contractor performance. USDA has made strides in converting traditional service contracts to performance-based ones. In recent years, the value of USDA contracts eligible for service-based contracting has been over \$700 million. The Department is also moving toward the Integrated Acquisition System. A pilot to test an Integrated Acquisition System on a web-based eProcurement solution was completed in FY 2002.

Exhibit 44: USDA’s Eligible Service Contracts

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Use of performance-based service contracts of total eligible service contracts (%)	20	40	Exceeded

Analysis of Results. The contracting offices executing the contracts entered the data on Performance-Based Service Contracts (PBSC) into a procurement data management system. Based on that data, USDA used PBSC in 40 percent of the eligible contracts. USDA utilized FedBizOpps to advertise procurement opportunities.

Exhibit 45: Increased Use of Performance-Based Contracts

Trend	FY Actual			
	1999	2000	2001	2002
Use of performance-based service contracts as a percent of total eligible service contracts (%)	1.9	4.6	13	40

Program Evaluation. No program evaluations were conducted in FY 2002.

Key Outcome 2.2: Improve Financial Management

Performance Measure: Provide Timely and Reliable Financial Management Information

USDA works with its component agencies to ensure that our financial policies reflect sound business practices. Achieving a clean audit opinion on USDA’s Consolidated Financial Statements and agency specific financial statements will assure the users of our financial information as well as constituents that USDA’s internal control and financial systems are sound and generate consistent, reliable, and useful information. Implementation of the Foundation Financial Information System (FFIS) and its associated data warehouses, provided the integration and capabilities needed to improve the delivery of timely and meaningful financial management information, and will allow USDA to comply with legislation, including the CFO Act of 1990.

Exhibit 46: Financial Management Information Timely and Reliable

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Achieve an unqualified opinion on the USDA's Consolidated Financial Statements for FY 2002	Unqualified Opinion	Unqualified Opinion	Met
Implement the Foundation Financial Information System USDA-wide: <ul style="list-style-type: none"> Total USDA workforce served by the financial system (%) 	98	98	Met

Note: The final two agencies in USDA were connected to FFIS on October 1, 2002.

Analysis of Results. The Office of the Chief Financial Officer (OCFO) provided effective leadership and talent to USDA's agencies and the National Finance Center (NFC) to capture break-through rather than incremental value from extensive changes in financial management accountability and accounting operations. We implemented effective operational accounting processes within NFC and problem agencies, while transferring knowledge through documentation and training. We also enhanced decision-making and cash management of USDA's Working Capital Fund.

Exhibit 47: Financial Management Programs Showed Improvement

Trend	FY Actual			
	1999	2000	2001	2002
Achieve an unqualified opinion on the USDA's Consolidated Financial Statements for FY 2002	Dis-claimer	Dis-claimer	Dis-claimer	Unqualified Opinion
Total USDA workforce served by the financial system (%)	31	46	78	98

Note: The final two agencies in USDA were connected to FFIS on October 1, 2002.

The FS was transformed in FY 2002 to operate as an effective, sustainable, and accountable financial management organization.

The OCFO guided USDA to full reconciliation of USDA's Fund Balance with Treasury.

Two major factors in USDA's goal to obtain a clean audit opinion are our efforts on Property and Credit Reform. OCFO worked with USDA agencies to implement a process for accounting for real property and related depreciation expense, to conduct personal and real property inventories, and to reconcile all property records to the general ledger. All USDA agencies corrected real and personal property accounting and stewardship inadequacies and installed sustainable processes for the future. Also, OCFO worked with USDA agencies to maintain progress on Credit Reform and continue improvements.

With an integrated budget and standard general ledger accounting system implemented in all USDA agencies, we add value to financial management information and improve corporate administrative computer systems. This emphasis will further advance managers' ability to measure results and to make good decisions.

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002:

- The OIG has conducted various audits of USDA's financial systems.
- The OIG conducted annual audits of five stand-alone agency financial statements and the USDA Consolidated Financial Statements.

Performance Measure: Improving Stewardship of the Food Assistance Programs

USDA is strongly committed to prevent abuse or waste of taxpayer dollars, and to ensure that nutrition programs serve those in need at the lowest possible costs. In FY 2002, USDA continued to improve stewardship, with further deployment of improvements to program delivery and management, as well as, continued progress in reducing program error.

Exhibit 48: Better Stewardship of the Food Assistance Programs

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Improve program design and delivery: <ul style="list-style-type: none"> Food stamp benefits issued electronically (%) 	89	89	Met
Maintain benefit accuracy in the food stamp and the school meals programs: <ul style="list-style-type: none"> Food stamp benefit accuracy rate (%) School Food Authorities in compliance with school meals counting and claiming rules (%) 	91.3 87	Available 4/03 Available 9/03	Deferred

Analysis of Results. Because key results-oriented data is not yet available, a full assessment of USDA’s performance in improving food assistance program stewardship goals cannot yet be made. However, available data indicates the need for continued action to improve stewardship with increased delivery of food stamp benefits through electronic benefits transfer (EBT), implementation of commodity program improvements, and strong oversight in the CACFP.

Exhibit 49: Food Assistance Indicators Show Improved Program Delivery and Design

Trend	FY Actual			
	1999	2000	2001	2002
Food stamp benefits issued electronically (%)	70.3	76.3	82.8	89
Food stamp benefit accuracy rate (%)	90.1	91.1	91.3	Available 4/03
School Food Authorities in compliance with school meals counting and claiming rules (%)	N/A	86.8	86.6	Available 9/03

Highlights related to nutrition assistance program stewardship include:

- **Electronic Benefits Transfer:** 89 percent of Food Stamp Program benefits were issued through EBT.
- **Benefit Accuracy in the Food Stamp and School Meals Programs:** While data for FY 2002 is not yet available, the Food Stamp Program achieved its highest-ever benefit accuracy rate in FY 2001 (91.3 percent). FY 2002 data related to the counting and claiming of school meals will be available in November 2003. FY 2001 data indicates that the program substantially met its goal to continue strong performance in counting and claiming accuracy. The benefit accuracy goal was deferred; data will be provided on the dates indicated in exhibit 48.
- **Child Care Integrity:** During FY 2002, USDA adjusted its review strategy to conduct more in-depth reviews for a two-year cycle. Thus, during FY 2002 and FY 2003, all States must be reviewed, but there is no per year target. Management evaluations appear to be proceeding appropriately on this adjusted schedule. Progress on management improvement training has been hampered by delays in publishing new regulations; an interim rule was published in June 2002. State agency training is now scheduled for the beginning of FY 2003, and State agency sponsor training will occur throughout the remainder of the year.
- **Food Distribution Reinvention Milestones:** USDA met 90 percent of these milestones, rather than the 100 percent originally targeted. USDA is still developing and/or pursuing actions related to two FY

2002 milestones: 1) processing commodities with limited demand into more usable forms; and 2) developing a single, web-based point of public contact on commodity issues for the Department.

- Commodity Program Computer Connectivity: Two States, rather than the 15 States originally projected, initiated a USDA-sponsored system that facilitated computer connectivity to the school district level in FY 2002. Food Nutrition Service (FNS) decided to temporarily limit the newly developed system, called the Electronic Commodity Ordering System, to four States until it has been adequately tested. FNS plans to offer the system to all States during school year 2003.

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002:

- Among Staff and Participants in the WIC Program: Volume I
- Final Report Reimbursement Tiering in the CACFP: Summary Report to Congress on the Family Child Care Homes Legislative
- Family Child Care Homes and the CACFP—Participation After Reimbursement Tiering (An Interim Report of Family Child Care Homes Legislative Changes Study)
- Plate Waste in School Nutrition Programs: Final Report to Congress
- Methods to Prevent Fraud and Abuse Among Staff and participants in the WIC Program
- Food Stamp Program: Use of Options and Waivers to Improve Program Administration and Promote Access
- Financial Management: Coordinated Approach Needed to Address the Government’s Improper Payments problem
- Food Stamp Program: Implementation of EBT.
- Food Stamp Program: States’ Use of Options and Waivers to Improve Program Administration
- Fruits and Vegetables: Enhanced Federal Efforts to Increase Consumption Could Yield Health Benefits for Americans
- Analysis of CACFP Large Sponsoring Organizations

Key Outcome 2.3: Expand Electronic Government

Performance Measure: Improving Information Management Using eGovernment

In FY 2002, USDA began transforming and enhancing our programs, services, and information to deliver them electronically with the necessary security safeguards. USDA’s strategic and enabling eGovernment “smart choices,” together with our Government Paperwork Elimination Act (GPEA) and Freedom to E-File activities, serve as a foundation for more efficient delivery of the increased services called for in this legislation. At the same time, we began strengthening our information survivability and information security and awareness programs as part of our response to the Nation’s homeland security threats. Together these programs enable improved customer service, make employees more productive, and save taxpayer dollars.

In concert with the President’s Management Council, USDA launched an internal eGovernment Program in October 2001. An interagency eGovernment Executive Council, led by the Deputy Secretary, manages the program. The Council developed a USDA eGovernment Strategic Plan (www.egov.usda.gov) as part of an overall eGovernment Framework incorporating the vision, strategy, marketing, and tactical activities for our transition away from traditional paper-based processes and single-agency service delivery approaches. Together with agency tactical plans, these activities support collaborative Information Technology (IT) investments in FYs 2002, 2003, and 2004, and we expect them to reduce redundant investments serving single-agency requirements. As an example of USDA’s eGovernment progress, USDA fully met the

requirements of the Freedom to E-file Act (P.L. 106–222) by establishing an Internet-based system that enables agricultural producers to access all USDA forms electronically.

USDA established the Federal Financial Assistance Committee (FFAC) to oversee the implementation of the Federal Financial Assistance Management and Improvement Act (P.L. 106–107) and monitor eGovernment initiatives within USDA.

Exhibit 50: Integrated eGovernment Environment

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Movement toward a fully integrated e-Government environment: <ul style="list-style-type: none"> Meet legislative mandates of the Freedom to E-File Act and GPEA Reduce duplicative investments for enabling information technologies and related services 	Yes Yes	Yes Yes	Met
Simplify and reduce number of financial assistance program forms and application kits	Establish Baseline	640	Met
Improve electronic processes for financial assistance program announcements and application kits	Establish Baseline	Available 4/03	Deferred

Analysis of Results. In support of USDA’s activities for legislative mandates of the Freedom to E-file Act and GPEA, USDA established the Electronic Government (eGovernment) Program, hired the USDA eGovernment Executive to provide leadership and oversight for USDA’s eGovernment planning and implementation, and established an eGovernment governance structure that includes a senior-level executive council and working group. The eGovernment Program is responsible for leading implementation of the Government Paperwork Elimination Act, Freedom to E-File Act, the Paperwork Reduction Act, and the Expanding Electronic Government component of the President’s Management Agenda.

Exhibit 51: Improving eGovernment Process

Trend	Fiscal Year Actual			
	1999	2000	2001	2002
Meet legislative mandates of the Freedom to E-File Act and GPEA	N/A	N/A	Yes	Yes
Reduce duplicative investments for enabling information technologies and related services	N/A	N/A	Yes	Yes
Simplify and reduce number of financial assistance program forms and application kits	N/A	N/A	N/A	640
Improve electronic processes for financial assistance program announcements and application kits	N/A	N/A	N/A	Establish Baseline

The FFAC inventoried 640 USDA forms and application kits as the baseline for reduction efforts. Additionally, FY 2002 interagency efforts to establish a common set of data elements and eGovernment efforts to reduce the number of unique electronic systems supporting financial assistance will assist in the streamlining effort. USDA committed to using the interagency announcement site called FedBizOpps (<http://www.FedBizOpps.gov>) to co-locate USDA funding announcement summaries with all other Federal agencies. The FFAC began defining requirements for a single USDA website to find and exchange financial assistance information which will better serve our customers and staff. Work is under way to identify all USDA financial assistance web sites and then make them accessible through one web location by April 2003.

USDA also successfully deployed the Common Computing Environment (CCE), which serves as the IT infrastructure foundation necessary to support the Service Center Agencies’ (SCA) use of modern

business processes and electronic government tools. We reached our goal of providing every SCA employee with a modern, secure workstation with updated software and access to the Internet. As planned, network servers were also installed in the Service Centers to enable sharing of applications and Geographic Information Systems (GIS), customer and other program data.

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002:

- We continuously reviewed our approach and adjusted accordingly.
- OCIO provides regular eGovernment progress reports to the Secretary.
- USDA provides OMB annual reports on GPEA and PRA implementation.
- USDA provides the Congress quarterly progress reports on CCE implementation.
- GAO and OMB assessed USDA progress in implementing the Freedom to E-File Act and GPEA.

Performance Measure: Expanding Information and Cyber Security

The focus on homeland security in FY 2002, combined with expanded public access to more USDA online services, increased the importance of our information security program. In FY 2002, we made considerable progress in this area.

Exhibit 52: Securing the IT Environment

Annual Performance Goals and Indicators	Fiscal Year 2002		
	Target	Actual	Result
Develop, implement, and maintain a secure and confident IT environment while protecting privacy:			Unmet
• Implement a Risk Management Methodology (%)*	100	90	
• Develop and implement information and telecommunications security architecture (%)*	50	50	
• Develop and implement an Information Survivability Program (%)*	20	5	
• Develop and implement a Sensitive System Certification Program (%)*	20	5	

* % of Department-wide implementation completed.

Analysis of Results. In FY 2002, we completed our USDA Risk Management Methodology to guide agencies through risk analysis and risk mitigation. This methodology includes training, standard forms and procedures, and business case development. These guides have been distributed across the department and are being used by the agency as a regular part of their assessment and analysis programs. USDA completed the first phase of the security architecture strategy, which includes the blueprint for deployment of appropriate security products and a methodology for matching controls to specific technical environments and business processes. Full production and usage of the plan will be achieved during fiscal year 2003. USDA also initiated a base level Information Survivability Program. Initial steps included the establishment of a Departmental level planning Council to ensure awareness and understanding of the initiative. During fiscal year 2003, the program will design and deploy a standard methodology and tool that agencies will use to develop and test disaster recovery and business resumption plans. The methodology will create a common approach that will be standardized

Exhibit 53: IT Security/Confidence Grew

Trend	FY Actual			
	1999	2000	2001	2002
Implement a Risk Management Methodology (%)	N/A	10	25	90
Develop and implement information and telecommunications security architecture (%)	N/A	N/A	10	50
Develop and implement an Information Survivability Program (%)	N/A	N/A	N/A	5
Develop and implement a Sensitive System Certification Program (%)	N/A	N/A	N/A	5

across USDA. Limited progress was made toward the development and deployment of a sensitive system and certification program. Some progress was achieved in the identification of specific systems where certification was required, but not as a part of a regularly structured program implemented across the department. During fiscal year 2003, greater emphasis will be placed on implementation of a structured methodology and plan.

Description of Actions and Schedules. During the coming year, the following actions, including time-frames, will be taken regarding the USDA Information Survivability program and the establishment of a sensitive system and certification program.

The Information Survivability Program will have three phases:

- First quarter of FY 2003: 1) development and delivery of a broad contingency planning and awareness program for a multiple level audiences of USDA employees (Executive, Technical and Worker), and 2) assessment, selection, and deployment of an enterprise software application to facilitate disaster planning and recovery across USDA will be completed.
- Second quarter of FY 2003: 1) conduct a Pilot demonstration of the software tool and assess its adequacy to meet departmental needs using real agency based planning, and 2) develop and deploy policy guidance that establishes the program and its reporting requirements.
- Third quarter of FY 2003: 1) evaluate recovery strategies and alternative backup and recovery solutions on a departmental basis, and 2) independently assess the planning efforts of USDA agencies in satisfying policy requirements and the actual development of executable plans.

The Sensitive System and Certification Program will begin the second quarter of FY 2003 to: 1) begin the process of structuring a consistent methodology regarding certification of systems across USDA, and 2) establish, through policy, the need, and requirements for system certification. Coordinate efforts with the physical security staff regarding sensitive locations and facilities. This program was not funded or developed in FY 2002.

Program Evaluation. The following evaluations, reviews, and/or audits took place during FY 2002:

- The Office of the Chief Information Officer conducts an annual review of USDA's information security status for the annual Government Information Security Reform Act submission to OMB.
- GAO and OIG both conducted cyber-security related audits at USDA in FY 2002.
- The Office of the Chief Information officer conducted a cyber-security review of the Ames, Iowa, research facility.

Key Outcome 2.4: Establish Budget and Performance Integration

No performance measures specific to this Key Outcome were contained in USDA's FY 2002 Annual Performance Plan. The Key Outcome, Establish Budget and Performance Integration, was first introduced in USDA's Revised Strategic Plan for FY 2002–2007. Relevant measures will be reported in next year's Performance and Accountability Report.

USDA made a number of strides forward in budget and performance integration during FY 2002. In January 2002, USDA prepared a draft Budget and Performance Integration plan. The draft highlighted steps toward integration, such as preparing a new strategic plan, and preparing a model budget justification using APHIS as a pilot agency. Following are highlights of some specific actions taken to improve integration during FY 2002.

- In Spring 2002, a draft revised budget presentation for APHIS was developed to show how performance information could be presented in the context of resource requests. After discussion with OMB,

this format was incorporated into the Department's instructions to agencies for the development of FY 2004 budget proposals.

- Budget materials used by policy makers during the FY 2004 budget process included performance information shown side-by-side with budget proposals to clearly identify the linkages between changes in funding levels and performance.
- The Secretary and her Subcabinet developed a revised USDA strategic plan. The revised plan is more focused and results-oriented.
- The Department collaborated with OMB to conduct timely Program Assessment Rating Tool evaluations on 11 programs during the last quarter of FY 2002 and to update three additional evaluations that were made during the spring. These evaluations helped inform the FY 2004 budget process.
- The Department also worked with other Federal agencies and OMB to develop seven common performance measures for: wildland fire; disaster insurance; non-point pollution; wetlands; rural water projects; flood mitigation; and housing assistance.

DATA ASSESSMENT OF PERFORMANCE MEASURES

Strategic Goal 1: Effectively Carry Out USDA Program Responsibilities With Decisions Based on the Best Available Science and Efficient Program Delivery Systems

Key Outcome 1.1: Expand Market Opportunities for U.S. Agriculture

Improving International Marketing Opportunities

Data on trade opportunities created and expanded are based on trade figures from trade retention reports. In some cases, statistics on actual values of shipments are obtained directly from U.S. exporters. Values of current trade were applied for tracking Tariff Rate Quotas (TRQs). It is understood that the measured performance data reflecting potential export markets are by nature “not guaranteed” and may be arguable among economists. Nevertheless, they are estimated as they occur using a systematic approach designed to avoid overstatement.

These annual sales data reported have been collected for many years, and the collection processes and systems are highly reliable. However, the data that support these measures come directly from U.S. companies, which benefit from the specific activities. It is outside USDA’s authority and prohibitively costly to validate the actual exports reported.

Export credit guarantee program data are based on actual CCC export credit guarantee program sales registrations. Actual data reported are final and complete. Program sales registrations predict actual exports that occur under the program with 95 percent accuracy. Actual export figures under the program become available during the month of February following the September 30 closing date of each fiscal year.

Reducing Hunger and Malnutrition Around the World

Data are based on analyses completed by the Food and Agricultural Organization (FAO), of the United Nations. FAO analysts perform these analyses for all of the countries that committed to the goal at the 1996 World Food Summit. The FAO analysis of current progress towards the long-term goal is conducted periodically, but not necessarily every year.

Not only are the data captured in official program/financial databases; these data are also audited as part of the CCC Annual Financial Report audit. Data are final and based upon program agreements signed and amended as required by law prior to the end of each fiscal year. Final shipment data can vary slightly, but it is usually within a one percent error margin. Data presented, unless otherwise noted, only represent commodity values, and do not include the cost of shipment and administration.

The research, training and technical assistance activities are tracked by an internal USDA accounting system and other internal program management databases.

Supporting Sustainable Food Supplies Worldwide

Research, training and technical assistance activities are tracked by an internal USDA accounting system and other internal program management databases.

Improving Domestic Agricultural Marketing Opportunities

The data contained in grain marketing is considered complete and reliable, and represents various analytical reference methods, official tests, and calibrations performed to support and ensure grain quality. Supporting data includes official notices, directives, bulletins, reports, Certificates of Conformance, Certificates of Performance, working instructions, and calibration review meeting minutes.

Key Outcome 1.2: Provide Risk Management and Credit/Financing Tools to Support Production Agriculture, and Improve Quality of Life in Rural Areas

Improving the Safety Net for Farmers and Ranchers

The data used for these measures is from audited external and internal sources, and contains no known limitations. A more comprehensive description of the data can be found in the RMA and FSA annual program performance reports.

Improving the Standard of Living in Rural Communities

Data on the number of water and waste systems developed or expanded are obtained from the Program Loan and Accounting System. Data on the number of jobs resulting from the business programs has come from the Rural Community Facilities Tracking System (RCFTS) in the past, but will be from the RD Application Processing Tracking System (RDAPTS) in the future. Data from RDAPTS will be considered significantly more reliable. Data on the number of households receiving USDA financial assistance to purchase a home comes from the Obligations Report 205, which is derived from Finance Office obligation records and is considered reliable. Data on the success of EZ/EC communities in obtaining funding from non-EZ/EC sources is derived from the Office of Community Development's benchmark management system. The EZ/EC program requires that a set of performance benchmarks be established and maintained for each EZ/EC community. All data is considered reliable for management purposes.

Sustaining Family Farms

The data assessing the number of small farms in the U.S. are based on USDA's National Agricultural Statistics Service (NASS) annual report *Farms and Land in Farms*. This report is released in February of each year and includes data for the previous three years. The February 2003 report, which will include data for 2002, is expected to be released on February 22, 2003.

Performance information on farm loan programs is collected from the Program Loan Accounting System and the Guaranteed Loan System. To help ensure data reliability and quality, internal controls are built into the systems. Additionally, FSA National Office management reviews systems reports to monitor program performance. Comprehensive internal control reviews are conducted in FSA State Offices each year to ensure loan making decisions are sound and that program implementation is in accordance with statutes and regulations. Data reported is also subject to OIG audit. There are no known data limitations.

Key Outcome 1.3: Effectively Meet Responsibilities for Homeland Security

This new Key Outcome has no relevant performance measures from the FY 2002 Annual Performance Plan.

Key Outcome 1.4: Continue to Use the Best Available Science, Information and Technology to Protect the Nation's Agriculture and Food Supply

Reducing the Number and Severity of Pest and Disease Outbreaks

To reduce the number and severity of pest and disease outbreaks in international air passengers who comply with the agricultural quarantine inspections, USDA takes steps both to prevent outbreaks, and to respond effectively to those occurrences. Data used to calculate this compliance rate is collected through the Plant Protection and Quarantine's (PPQ) Agriculture Quarantine Inspection (AQI) Monitoring System and its Work Accomplishment Data System (WADS). Data is collected at multiple Ports-of-Entry for the air passenger pathway by applying standard statistical sampling procedures. Although there is a small percentage of poor quality data (due to port personnel changes, equipment failure, and nonsupport by some local management), the quality and reliability of the monitoring data continues to be acceptable. PPQ national and regional managers are working with specific ports to improve data quality, support issues, and equipment problems.

In August 2001, the National Animal Health Emergency Management Steering Committee (NAHEMS) sponsored a self-assessment of State Animal Health Emergency Management Systems. The State Veteri-

narian and the Federal Area Veterinarian in Charge for each state and territory (including Puerto Rico and the U.S. Virgin Islands) jointly completed the assessments. The assessment was designed to determine if each state met the Standards for State Animal Health Emergency Management Systems published in January 2000. Since the January 2000 assessment, the NAHEMS Steering Committee has done a biannual assessment of states. Moving to a biannual schedule allows states and the Committee more time for data verification and for providing help to states trying to meet the standards. The next assessment is scheduled for September 2003.

Reducing the Incidence of Foodborne Illnesses Related to Meat, Poultry, and Egg Products in the U.S.

Data included are from October 1, 2002, through approximately September 15, 2002, and are considered final and reliable. An automated system (MARCIS) provides information on microbiological, chemical, and pathological analyses of meat and poultry and their processed products. USDA uses the North American Precip Syndicate, Burrelles clipping service, and Media Distribution Services to monitor placement of consumer food safety articles, and print and broadcast media in North America and daily newspapers. For television tracking, USDA uses PCS Broadcast Services, which monitors public service announcements based on actual airtime and viewership of the announcement.

Key Outcome 1.5: Improve the Nation's Nutrition and Health through Food Assistance and Nutrition Education and Promotion

Reducing Hunger and Improving Nutrition in the U.S. Through the Nutrition Assistance Program

USDA uses projected annual participation levels as a proxy measure of performance in maintaining program access and benefit delivery for nutrition assistance programs. These projections reflect USDA's best estimates of voluntary program participation, rather than targets per se. Performance data is drawn from reports from State cooperating agencies that are collected and consolidated by USDA and reviewed for consistency and completeness. Since this data is used to support disbursement of program payments to States, they reflect the most complete record available of program participation and related costs. Final data for this objective will be available 2nd Quarter, FY 2003; final figures are expected to fall within two percent (\pm) of preliminary figures. Data will be updated in the FY 2003 Annual Performance Report, and analysis will be included of any data that changes beyond the two percent range.

Improving the Diets in U.S. Through the Nutrition Assistance Program

USDA tracks the implementation of nutrition promotion and education efforts during the year; annual mechanisms are generally not available to evaluate the impact of the efforts on the diets of those targeted.

Performance data involving the distribution of educational materials are collected from contractors, including the National Technical Information Services (NTIS), U.S. Department of Commerce, and the District of Columbia Archival Research Catalogue (DC-ARC), which distribute materials for USDA and from USDA-FNS administrative records when materials are distributed directly by the Agency. Contractors provide distribution reports to USDA, which can be verified through management reviews and other reporting mechanisms as resources permit. While this data tracks the overall number of materials disseminated as a result of the campaign, it does not permit determination of the number or proportion of participants reached by these events.

Performance information for WIC mothers initiating breastfeeding is derived from a biennial analysis of WIC participant data, which include data on breastfeeding initiation. The data used represent a census of WIC participants, and thus are not subject to sampling error; in addition, non-response is very low, minimizing bias. Data for FY 2002 will be available in April 2004, and will be included in the FY 2004 performance report.

Data on fruit and vegetable deliveries to schools are derived from the Processed Commodities Inventory Management System (PCIMS), which track commodity purchases for nutrition assistance programs. PCIMS data is reconciled monthly and annually by program analysts to ensure accuracy. Data on the Food Distribution Program on Indian Reservations (FDPIR) sites receiving fresh fruits and vegetables is

derived from Defense Department billing information, and verified through USDA administrative records. Since the data maintained in these systems support the inventory of fruits purchased along with the corresponding program costs associated with procuring fruit and vegetable commodities, they reflect the most complete record of performance available in these areas. FY 2002 data will be made available during the second quarter of FY 2003, and will be reported in the FY 2003 Annual Performance Report. USDA is not aware of any significant limitations on the validity or accuracy of this data.

Ensuring Better Diet Quality

Internal records were used to compile data on the number of visitors to USDA's *Healthy Eating Index*. The data, obtained from the site's logs by using the software package WebTrends, consist of individuals who may have visited the site more than once during each reporting period. The data are highly reliable, providing accurate counts of the number of downloads, visitor sessions, most viewed pages, average daily use, as well as other information. Should this source no longer provide such information, Center for Nutrition Policy and Promotion (CNPP) will identify another source.

Key Outcome 1.6: Provide Sensible Management of Our Natural Resources

Maintaining Resource Health and Productive Capacity

The performance data for the indicator on application of conservation on working land are collected through the USDA-NRCS Performance and Results Measurement System. NRCS field employees and local conservation district employees in 2,500 offices across the country enter the data. NRCS state conservationists certify the accuracy of the data provided by their employees. The data for acreage retired from production comes from the USDA-FSA National CRP Contract and Offer Data files. These files are evaluated to determine the environmental benefits of CRP, and upon contract approval, the data is updated to reflect land use, land treatment, and environmental benefits. To help ensure program integrity, service center employees conduct on-site spot checks and review producer files prior to annual payment issuance to ensure conservation practices are maintained in accordance with program requirements.

Protecting the Environment

Data for the indicators for soil and watershed improvements and terrestrial habitat on National Forests and Grasslands are obtained through the FS's Management Attainment Report (MAR). To improve the quality of the data, the FS took several actions in FY 2001. A new reporting database was designed and implemented for the gathering of data in MAR. The new system is intended to minimize the risks of errors from manually consolidating data entry sheets; reduce the amount of time for data entry and tabulation; facilitate field review of accomplishment reports; and improve data analysis, control, and validation efforts.

Agency heads attest to the accuracy and completeness of their reported data. The data is prepared by employees with education and/or training in relevant environmental fields and is examined holistically by the senior environmental professionals.

The abandoned mine sites reclaimed data needs improved definitions to ensure that each unit is reporting the measure consistently. The data review and validation process in FY 2001 identified a discrepancy in how some units were reporting the abandoned mine sites reclaimed data. Several field units reported the elimination of physical hazards as mine reclamation activities. The measure will be formally redefined in FY 2002 to include both physical hazard removal and environmental clean-up activities.

The data for comprehensive nutrient management plans, and nutrient management are collected through the USDA-NRCS Performance and Results Measurement System. NRCS field employees and local conservation district employees in 2,500 offices across the country enter the data. NRCS state conservationists certify the accuracy of the data provided by their employees. The data are considered adequate.

Performance data for conservation buffers comes from the USDA-FSA National CRP Contract and Offer Data Files and from the NRCS Performance and Results Measurement System. Data for acres of land retired from cropping comes from the USDA-FSA National Conservation Reserve Program (CRP) Contract and Offer Data Files. Data for sheet and rill erosion, wind erosion, and carbon sequestered by CRP are estimated using a sample of data points from the National Resources Inventory applied to current CRP lands using CRP contract data. While this is a large sample that can be used to represent erosion reductions, it is an estimate. Future CRP general sign-ups will gather information that will permit the estimation of erosion reductions for each CRP contract, resulting in improved performance reporting.

Data for the indicators for soil and watershed improvements and terrestrial habitat on National Forests and Grasslands are obtained through FS's Management Attainment Report (MAR). To improve the quality of the data, the FS took several actions FY 2001. A new reporting database was designed and implemented for the gathering of data for MAR. The new system is intended to minimize the risks of errors from manually consolidating data entry sheets, reduce the amount of time for data entry and tabulation, facilitate field review of accomplishment reports, and improve data analysis, control and validation reports.

Agency heads attest to the Comprehensive Environmental Response, Compensation, and Liability Act cleanups to the accuracy and completeness of their reported data. The data is prepared by employees with education and/or training in relevant environmental fields and is examined holistically by the senior environmental officials.

The abandoned mine sites reclaimed data needs improved definitions to ensure that each unit is reporting the measure consistently. The data review and validation process in FY 2001 identified a discrepancy in how some units were reporting the abandoned mine sites reclaimed data. Several field units reported the elimination of physical hazards as mine reclamation activities. The measure will be formally redefined in FY 2002 to include both physical hazard removal and environmental clean-up activities.

Key Outcome 1.7: Effectively Implement the Farm Security and Rural Investment Act of 2002

This new Key Outcome has no relevant performance measures from the FY 2002 Annual Performance Plan.

Strategic Goal 2: Enhance the Integrated Operation of USDA through Execution of the President's Management Agenda

Key Outcome 2.1: Improve Human Capital Management

Ensuring Fair and Equitable Service to Customers and Upholding the Civil Rights of Employees

USDA agency reports are used to track civil rights reviews of major programs. Since the reviews are chiefly carried out by program operators in widely scattered locations during various periods of time, the results are subject to the different conditions and interpretations. However, the reports are generally considered to be complete and reliable.

The average reduction in civil rights case processing time was 27 percent during FY 2002. The data on civil rights case processing times were generated by the civil rights case tracking systems. Processing times were recorded based on the dates of case filing and of Reports of Investigation. The data is complete, reliable, and accurate to the extent that pertinent information was properly recorded. Processing times for program and equal employment opportunity cases are indicated below.

Program Cases—Average processing time for program complaints was reduced 38 percent in 2002.

Employment Cases—Average processing time for employment complaints was reduced 22 percent in 2002.

Employee Engagement and Satisfaction

The data on employee satisfaction will be derived from the Government-wide Survey on Human Capital to be published by the Office of Personnel Management in February 2003.

Ensuring USDA Acquires Recurring Commercial Services in the Most Cost Effective Way

The FAIR Act requires agencies to present to the OMB an annual inventory of commercial activities performed by Federal employees. USDA agencies presented their FAIR Act report to the Chief Financial Officer (CFO). The inventories were cleared for content, reasonableness, and adequacy of data. The reports were consolidated into a single submission and forwarded to OMB. Agencies were also required to provide plans for competition.

Increasing the Use of Performance-Based Service Contracting

The accomplishment data on performance-based service contracts (PBSC) is governed by the definitions and reporting criteria established government-wide for this Performance Goal in the Federal Procurement Data System. The percentage of accomplishment represents the ratio of dollars obligated on contracts reported to be using PBSC compared to the dollars obligated on all contracts awarded meeting the definition of PBSC. Data verification is not performed. These government-wide definitions were changed after the initial data reporting, and the definitions were changed again for FY 2002. While the accuracy of the data cannot be verified, the results are at least indicative of the extent to which PBSC is being utilized.

Key Outcome 2.2: Improve Financial Management

Provide Timely and Reliable Financial Management Information

Financial statements are not audited until after the close of the fiscal year. OIG issues a written audit opinion on USDA's Consolidated Financial Statements. The annual report for each fiscal year is issued at the conclusion of the financial statement audit that takes place the following fiscal year. The quality of the data is verified by using OIG's audit report of the FY 2002 Consolidated Financial Statements issued in February 2003.

The target for FY 2002 for implementation of the Foundation Financial Information System USDA-wide is 98 percent. Eight agencies were implemented on schedule, thus meeting the target for FY 2002. In addition to the eight agencies, the OCFO resolved major financial management issues related to cash reconciliation and the Fund Balance with Treasury. The source of the data to compile the number of

employees and calculate the percentage of the total USDA workforce served by FFIS is a budget report entitled “Total FTE Employment: Max Schedule Q Detail,” run in December each year. This report provides the total number of FTEs in USDA and the number of FTEs by agency.

Improving Stewardship of the Food Assistance Programs

The proportion of FSP benefits issued through EBT as of the end of the fiscal year is calculated from the issuance data provided by States on the USDA-FNS Form 388, which is entered into the National Databank after being reviewed for completeness and consistency. The Department’s administrative structure and records provide the accountability necessary to verify completion of the work and thus ensures complete and reliable data in this area.

Key Outcome 2.3: Expand Electronic Government

Improving Information Management Using eGovernment

Data for meeting these performance goals and indicators is based on observation, meetings with USDA agencies, inter-agency groups, moratorium waiver requests, and information submitted through USDA’s IT capital planning and investments control process and is believed to be reliable and accurate. Additional data is collected from the agencies for the Quarterly eGovernment Reports to the Secretary and the annual GPEA report submitted to OMB.

Expanding Information and Cyber Security

Data for meeting these performance goals and indicators is based on observation, meetings with USDA agencies, inter-agency groups, moratorium waiver requests, and information submitted through USDA’s IT capital planning and investments control process and is believed to be reliable and accurate. Additional data is collected from the agencies for the annual Government Information Security Reform Act report submitted to the OMB. The GAO and USDA OIG have also released data in this area in the past fiscal year.

Key Outcome 2.4: Establish Budget and Performance Integration

This new Key Outcome has no relevant performance measures from the FY 2002 Annual Performance Plan.

Exhibit 54: Management Challenge Accomplishments

Major Management Challenges and Program Risks	Accomplishments in FY 2002
<p>Need to Strengthen Department-wide Information Security (GAO)</p> <p>Information Resources Management (OIG)</p> <ul style="list-style-type: none"> • Information Survivability • Intrusion Detection • Information Security Awareness/ Physical and Logical Access Controls • Risk Management 	<p>Reviews found several weaknesses in the security of information technology within the Department. Increased cyber-security remains a priority for the Department. USDA is not fully compliant with OMB Circular A-130 and Presidential Decision Directive. Networks and systems are vulnerable to internal and external intrusion. There are inadequate physical and logical access controls to ensure that only authorized users can access critical agency data. Nine of 11 USDA agencies had not assessed the risks of their systems nor initiated a plan to eliminate or mitigate those risks. There is inadequate oversight to ensure that contractors have the proper security clearances and background checks and that they are sufficiently trained in Federal Security Requirements.</p> <p>The Department is actively engaged in identifying and addressing its information vulnerabilities, through a strengthened risk management program, development of Department-wide policies and procedures, training, improved day-to-day network management, monitoring and reporting, and increased tracking and monitoring of agency program and system level weakness.</p> <p>In FY 2002, the Department began an information survivability program to ensure disaster recovery and business resumption plans for all critical USDA systems have been prepared and tested. Working with Departmental Administration, OCIO began developing a program to provide agency managers with a standard methodology and appropriate tools to develop and test integrated physical and information technology disaster recovery and business resumption plans.</p> <p>Throughout FY 2002, the Department continued to strengthen our intrusion detection capabilities by deploying more monitors and sensors and training technical staff. USDA currently installed all Tier I and Tier II sensors. Tier II sensors are scheduled to be installed in FY 2003. Contract support has been engaged to assist USDA as we expand our intrusion detection capabilities.</p> <p>OCIO recognizes the critical importance of conducting ongoing awareness and training activities to educate employees, contractors, and clients who affect USDA's information security. Although some USDA agencies have fulfilled their requirement for annual security awareness requirements, there is no consistency across USDA in what training is provided. In FY 2002, USDA began developing a comprehensive awareness program that includes a Department-wide communication effort specifically designed to educate all employees about the security risks facing USDA. At the same time, OCIO is establishing standards and department-wide tools and techniques to ensure the safety of USDA's computing environment. These standards apply to both physical and logical security controls that provide assurance that computing environments are secure and available.</p> <p>The USDA OCIO Cyber-Security Program is addressing the issue of risk management on three fronts: 1) to help USDA agencies meet their requirement to assess risks to the information systems they use and manage, standard risk assessment tools have been developed for each of the computer platforms in use throughout USDA; 2) to provide risk assessment training and counseling to agency security managers by OCIO Staff and contracted risk management specialists; and 3) to assist purchasing independent risk assessments from a highly qualified and experienced contractor through an OCIO-established Blanket Purchase Agreement.</p> <p>OCIO is concurrently following a risk-based facility review program to fully assess USDA's critical IT infrastructure. This strategy involves on-site reviews of major USDA information management facilities based on how critical their missions are to the organization. This approach allows OCIO staff to assess existing security controls, security management and administration, and computing environments; to identify security weaknesses; and to provide guidance and counseling.</p> <p>OCIO takes its responsibility for overall security of USDA's information assets seriously. Where appropriate, OCIO is changing security policies and procedures, implementing mitigation actions when vulnerabilities are discovered, developing and implementing standard security tools and techniques, and managing USDA's information security program from an enterprise perspective.</p>
<p>Rural Rental Housing (OIG)</p> <ul style="list-style-type: none"> • Portfolio Management • Guaranteed RRH Program • Rental Assistance 	<p>Rural Housing Service (RHS) must maintain its current portfolio in good repair so that it will provide safe, decent, and affordable housing for rural Americans.</p> <p>The audit found that the pilot program had completed construction of only 222 units. RHS had reported apartment units that were obligated to be built, as being built. RHS restated the GPRA report to reflect the status of the units as proposed for construction rather than as built. RHS needs to continue monitoring the program's growth and success and whether RHS has implemented sufficient controls to ensure accurate reporting of units built.</p>

Exhibit 54: Management Challenge Accomplishments

Major Management Challenges and Program Risks	Accomplishments in FY 2002
<ul style="list-style-type: none"> • RRH Projects Leaving the Program • Unallowable and Excessive Expenses Charged to RRH Projects 	<p>The cost to the Government will increase because funding for rental assistance, which was recommended by OIG, will need to increase. RHS needs to plan for these increased funding requirements.</p> <p>RHS needs to monitor the number of incentive payments and ensure that once made, project owners continue to participate in the program and meet the conditions of the incentive payment.</p> <p>Unallowable and excessive expenses charged to Rural Rental Housing projects must be disclosed. Continued monitoring of the Agency's implementation of the new regulation is needed to ensure the desired results are achieved.</p> <p>RHS has drafted a proposed rule to completely restructure its sections 515 and 514/516 loan and grant programs, to improve its ability to ensure properties are maintained, and to provide decent, safe and sanitary rental and farm labor housing. Performance and results reported under the section 538 guaranteed rental program has been revised to be more accurate.</p> <p>Future year appropriation requests will reflect additional funding needed for the Rental Assistance program because of inflation. Section 515 preservation administration has been improved by the implementation of automated preservation incentive underwriting, thereby ensuring that incentive payments are fair. Additional tracking systems for loans entering the prepayment process have been implemented, which will substantially improve the Agency's ability to determine the status of loans proposing prepayment and those that have been prepaid.</p> <p>During the FY 2003, Rural Development will take aggressive action to resolve the two management challenges.</p>
<p>Rural Business-Cooperative Service (OIG)</p> <ul style="list-style-type: none"> • Business and Industry Loan-making and Servicing Procedures • Waivers of Internal Controls 	<p>The audit found serious conditions with the Business & Industry loans including borrowers with insufficient collateral to secure their loans, businesses that defaulted within months after the loan was made, and loan proceeds used for unauthorized purposes.</p> <p>Future use of waiver authority needs to be monitored to ensure that these established controls are not circumvented.</p> <p>OIG is currently working with the National Office officials to identify actions to be taken. RBS has established internal instructions regarding the waiver of loan regulation processes.</p>
<p>Food Safety Issues (GAO)</p> <ul style="list-style-type: none"> • OIG Audits 	<p>The number of food-borne illnesses has heightened concerns about the effectiveness of the federal food safety system. GAO has found the current multi-agency federal food safety system needs to be replaced by the single food safety agency.</p> <p>In the Federal government, food safety responsibilities are shared among several entities, most notably USDA, Health and Human Services and the Environmental Protection Agency. Concerns about the need for fundamental changes in food safety programs and about overcoming perceived fragmentation of food safety responsibilities are being addressed through cross-Departmental partnerships and program coordination activities. Recent statistics from the Centers for Disease Control and Prevention show a 21 percent drop in the incidences of foodborne illness during the last six years. Although these figures represent the efforts of several Departments and Federal agencies, State and local governments, regulated industries, schools, and consumers, the USDA FSIS contribution to the reduction of foodborne illnesses cannot be ignored. The creation of a single food safety organization addressing all foods, as suggested by GAO, is beyond the legal scope of USDA or any Federal department. The FSIS is a Federally-mandated program. It can take no independent action to dismantle itself, absorb, or to merge itself with other agencies. Therefore, this management challenge has not been incorporated into the USDA or FSIS GPRA documents.</p> <p>FSIS' reinspection process and whether it has effective procedures and controls to provide FSIS with a means of ensuring that only wholesome, unadulterated and properly labeled food products enter U.S. commerce. There are concerns about the equivalency determinations FSIS makes of foreign inspection systems, focusing on equivalency determinations for HACCP and Salmonella.</p> <p>During the last few years, FSIS has enhanced its process to identify and review high-risk firms. FSIS has proceeded with a number of enhancements and prioritized its efforts consistent with available resources. FSIS makes every effort to identify and halt all activity involving contamination of meat, poultry, and egg products. As of the issuance of this report, OIG has not released the official draft reports for Agency comment.</p>

Exhibit 54: Management Challenge Accomplishments

Major Management Challenges and Program Risks	Accomplishments in FY 2002
Marketing & Regulatory (OIG)	<p>There is an OIG review underway focusing on APHIS' policies and procedures. The OIG found APHIS could not account for 60 pounds of strychnine-treated bait and over 2,000 capsules containing sodium cyanide. Transfers of agents between locations were not documented, and it cannot be determined if the missing strychnine and cyanide have been accounted for, as well as 13 other restricted-use compounds. An adequate control structure is needed to ensure that the pathogens and restricted materials are not made available to terrorists or others intent on harming U.S. citizens or agriculture.</p> <p>Upon further examination, it was determined that the APHIS WS program could account for all chemicals. However, an adequate chemical inventory and tracking system was needed. Wildlife Services (WS) has been piloting a new Chemical Inventory and Tracking System in five states for the past six months, and made this tracking system fully operational in October 2002 in all states.</p>
<p>Food Assistance Must Reach Eligible People While Maintaining Program Integrity (GAO)</p> <p>Food Stamp Program (OIG)</p> <p>Child and Adult Care Food Program (OIG & GAO)</p> <p>National School Lunch and School Breakfast Program (OIG)</p>	<p>Given the size and scope of USDA nutrition assistance programs, the Department faces a significant challenge in providing help to eligible people who need it while protecting the programs from those who would abuse them. GAO identifies three key challenges or risks under Federal nutrition assistance program management: the level of Food Stamp Program (FSP) payment accuracy; the persistence of retailer trafficking of FSP benefits; and the need to improve Child and Adult Care Food Program integrity. In addition, USDA's Office of Inspector General identifies as major management challenges improving eligibility certification accuracy in the National School Lunch and School Breakfast Programs and achieving full implementation of electronic benefit transfer (EBT) in the FSP. Each of these issues is addressed below:</p> <ol style="list-style-type: none"> 1. <i>Administration of the FSP at State Agencies: FSP Payment Accuracy:</i> Payment accuracy for FY 2001 (most current data available) reached its highest level ever. Although FY 2002 data is not yet available for inclusion in this report, corrective actions undertaken during FY 2002 are discussed in the Federal Managers' Financial Integrity Act (FMFIA) Report on Management Controls section of this report. 2. <i>Trafficking of FSP Benefits:</i> Corrective actions were taken during FY 2002. This issue has been removed from the FMFIA Report on Management Controls section of this report, but retailer integrity remains a focus for the Food and Nutrition Service. 3. <i>Child and Adult Care Food Program Integrity:</i> Management evaluation work is proceeding as scheduled; updated management guidance and training of sponsors have been slowed by delays in publishing new CACFP management regulations. Corrective actions undertaken during FY 2002 are also discussed in the FMFIA Report for FY 2002 in the Management Controls section of this report. 4. <i>National School Lunch and Breakfast Program Eligibility:</i> Although FY 2002 data is not yet available for inclusion in this report, corrective actions undertaken during FY 2002 are discussed in the FMFIA Report for FY 2002 in the Management Controls section of this report. 5. <i>FSP Electronic Benefits Transfer:</i> In Fiscal Year 2002, USDA expanded delivery of food stamp benefits through electronic benefits transfer (EBT) to 89 percent of all households and successfully encouraged states falling behind the mandated target of October 2002 to move forward.
Forest Service (FS) Improving Performance Accountability (GAO)	<p>FS will transition to a new, outcome oriented budget and planning structure that will showing linkages between resources, program activities and results.</p> <p>The FS continued implementation of the Budget Formulation and Execution System (BFES) that incorporates a results-oriented budget structure and shows linkages between resources, program activities, and results. This approach will allow the FS to provide timely, credible data that demonstrates the impact of funding on actual on-the-ground work accomplished. The first full year of implementation of this effort will be completed with the execution of the FY 2003 budget. At that time, the results of this effort will be realized and evaluated.</p>
<p>Forest Service Management and Program Delivery Issues: (OIG)</p> <ul style="list-style-type: none"> • FS administration of grants to State and nonprofit organizations 	<p>FS administration of grants to State and nonprofit organizations show significant weaknesses in all aspects of program management. These weaknesses increase the likelihood that program objectives will not be achieved and that Federal funds are not being spent for authorized purposes.</p> <p>Since FY 1997, the FS has made adjustments to the management of grants and agreements to nonprofit organization(s). Proper controls were implemented to ensure program integrity, program budget planning and accountability. Analysis and reviews occur regularly to protect resources and to ensure prudent use of all funds in achieving the agency mission within the scope of expectations, laws, regulations, and authority. Appropriate records and financial information are maintained and used for decision-making purposes. These actions will continue in FY 2003.</p>

Exhibit 54: Management Challenge Accomplishments

Major Management Challenges and Program Risks	Accomplishments in FY 2002
<ul style="list-style-type: none"> • Environmental analyses required for timber sales • Policies for dealing with partnerships with private groups • Lacked meaningful goals and objectives with relevant performance measures. • Forest Service National Fire Plan • Grant and Agreement Administration 	<p>There are serious weaknesses in the controls for the preparation and implementation of environmental analyses required for timber sales. The FS responded to an OIG Audit (#08801-10-AT) by conducting a follow-up review of an expanded sample (51) of timber sales in FS regions. The results of the FY 2000-2001 review timber sale planning, analysis, and documentation problems. OIG concurred with an Administrative Control Plan that was developed in FY 2001. Regional and Washington Office annual reviews of regional timber sales and the associated analyses, documentation, and implementation are scheduled and ongoing. The most recent Regional Review (Region 3, Southwestern Region) occurred in October 2002.</p> <p>FS has not developed agency-wide policies for dealing with partnerships with private groups to meet its mission requirements. Direction is needed to ensure these relationships comply with existing laws. In FY 2001, the FS completed a comprehensive review of existing partnerships, authorities, and policies. Thirteen specific areas were identified where congressional intent could be clarified, expanded, or better aligned with other land management agencies. Work on the improvement of partnership policy, procedures, budget and financial accountability will continue in FY 2003.</p> <p>Strategic and Annual Plans have lacked meaningful goals and objectives with relevant performance measures. Past performance measurement data has been irrelevant and lacked accuracy. "In FY 2001, the FS revised its strategic plan to better focus on outcomes and results to be achieved over time and to better link strategic goals and objectives to long-term performance measures and 5-year milestones. The agency's fiscal year 2002 performance plan begins to provide a bridge between the strategic plan and the on-the-ground activities funded through the annual budget process by linking annual performance goals and objectives." (P. 29, GAO-01-761, August 23, 2001)</p> <p>The update of the USDA FS Strategic Plan will be completed by September 30, 2003. The Montreal Process Criteria and Indicators will provide the framework for the update and the findings of the National Assessment of resources will be more completely integrated with the updated goals and objectives.</p> <p>In June 2002, the Chief of the FS directed the development of a Performance Accountability System (PAS), a system that integrates annual budget plans with the accomplishment of strategic plan goals. Implementation of PAS will occur between now and Fiscal Year 2005.¹</p> <p>Authorized funds are vulnerable to waste and misuse. The 10-Year Implementation Plan signed by the Secretaries of Agriculture and Interior outlines common performance measures for the FS and Department of Interior agencies. These measures cover all parts of the National Fire Plan, including fire suppression, hazardous fuels treatment, fire rehabilitation, and community assistance, and will be incorporated in the FY 2003 update of the Strategic Plan and in budget and accomplishment reports. The Office of Management and Budget is evaluating government-wide wildland fire management programs using the performance measures in the 10-Year Implementation Plan, the results of which will be published in the President's 2004 budget request.²</p> <p>The FS has not effectively managed grants and agreements to ensure that funds appropriated by Congress were expended for their intended purposes and that grantees complied with applicable financial management standards. The Project Cost Accounting System (PCAS) module, part of FFIS implementation in FY 2000, was established for consistent and accurate accounting of grants and agreements. To respond to the inconsistency with which PCAS was implemented, a full-time position has been dedicated to plan, and then, to manage, a national solution to the inconsistent implementation of PCAS. National FS CFO Bulletins will be issued to clarify PCAS processes and procedures. An on-site strike team will provide expertise in correcting PCAS accounting problems when warranted. Schedule of specific actions TBD.</p>

¹ The U.S. General Accounting Office is currently conducting an extensive program and financial audit update of USDA Forest Service Management Challenges. Audit completion is expected sometime in the first quarter of calendar year 2003 and will likely result in a congressional hearing.

² See "A Collaborative Approach for Reducing Wildland Fire Risks to Communities and Environment: 10-Year Comprehensive Strategy Implementation Plan" at www.fireplan.gov/10yrIPfinal.cfm and for additional information go to www.fireplan.gov/

Exhibit 54: Management Challenge Accomplishments

Major Management Challenges and Program Risks	Accomplishments in FY 2002
<p>Problems Persist in Processing Discrimination Complaints (GAO) Civil Rights Complaints (OIG)</p>	<p>USDA agreed to establish timeframe goals for all stages of its process for addressing civil rights complaints, and to address staff turnover and morale problems in its Civil Rights (CR) Office. The Secretary of USDA will create the position of Assistant Secretary for Civil Rights in USDA as authorized under FSRIA.</p> <ul style="list-style-type: none"> • In October 2000, USDA completed a report on civil rights functions and barriers to efficient and timely processing of civil rights complaints. During FY 2002, the recommendations of the report have been implemented as available resources have permitted. These efforts will continue in FY 2003. These efforts include changes in business process, improved training, and improvements to the case tracking process. For FY 2004, a USDA performance measure targets a 25% reduction in civil rights case processing time below FY 2003 levels. • CR has developed Management Decisions and/or resolved all remaining recommendations with the exception of the following partially completed recommendations: <ul style="list-style-type: none"> • Document-by-document sweep of EEO complaint case files. CR conducted a post OIG Audit inspection of EEO complaint files and submitted a report of its findings dated 02/12/02 to OIG. CR anticipates a file-by-file sweep (document-by-document) in FY 2003); and • Provide OIG with final Standard Operating Procedure for Conducting Agency Civil Rights Evaluations. An interim SOP has been completed and signed by the Deputy Director for Programs on 11/02/01. The Program Compliance Division completed its first Agency Civil Rights Evaluation on 05/20/02 and is reviewing the draft report.
<p>Lack of Financial Accountability at USDA (GAO) Financial Management (OIG)</p>	<p>GAO and OIG have questioned the accuracy of USDA's financial information to evaluate its financial performance and provide assurance that its consolidated financial statements are reliable and presented in conformity with generally accepted accounting principles.</p> <ul style="list-style-type: none"> • USDA achieved a clean audit opinion on its financial statements. • The following steps were taken in FY 2002 to resolve these longstanding problems: • Provided effective leadership and talent from OCFO to USDA's agencies and the National Finance Center (NFC) to capture break-through rather than incremental value from extensive changes in financial management accountability and accounting operations. • Implemented effective operational accounting processes within the branches of the NFC, problem agencies and OCFO while transferring knowledge through documentation and training. • Completed the successful implementation of a standard accounting system at USDA; renovating related corporate administrative systems during FY 2002 with focused, disciplined effective projects. • Maintained progress on resolving Credit Reform deficiencies and improvements. • Transformed the FS into operating as an effective, sustainable accountable, financial management function. • Corrected real and personal property accounting and stewardship inadequacies. • Enhanced decision-making and cash management of USDA's Working Capital Fund.
<p>Human Capital Management (GAO)</p>	<p>GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and success planning; acquiring and developing staffing whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.</p> <p>In FY 2002, USDA did the following to address human capital management: completed a Skills Gap Analysis; formed a Department-wide Human Capital Team; and developed the Human Capital Framework for the Human Capital Plan. The framework addresses goals, action strategies for the key elements of modern strategic human capital management, e.g., organizational alignment, leadership continuity and succession planning, talent (knowledge management), recruitment, and creating results-oriented organizational cultures. USDA aligned the Human Capital framework with the USDA strategic plan.</p> <p>To further address our recruitment and skills needs, USDA instituted the Federal Career Intern Program. USDA developed a new Department-wide mentoring program to help develop its workforce. A five-year workforce-restructuring plan was developed addressing workforce needs, deployment, staffing, and a citizen-centered organizational structure.</p> <p>Employees of USDA participated in the Government-wide Survey on Human Capital. To date, OPM has not released results to the Departments and Agencies.</p>

Fiscal Year 2002 Program Obligations incurred

The following table depicts the component agencies and staff offices of the Department of Agriculture with total program level dollars for each account allocated to the USDA strategic Goal 1 key outcomes. The program levels have been rounded to the nearest million dollars. Many USDA accounts support multiple key outcomes. An account's funding was allocated to more than one key outcome when the amount for each outcome was significant and could be identified. As a result, the table provides a general indication of the funding dedicated to each key outcome. Administrative funding related to strategic Goal 2 supports all USDA Goal 1 key outcomes. For display purposes in this document, Goal 2 allocations have been reallocated equally among each Goal 1 key outcome.

Exhibit 55: Funding by Key Outcome

USDA FY 2002 Program Obligations									
Agency	Account	FY 2002 Program Obligations (\$ in Millions)	USDA Goal 1 Key Outcomes (\$ in Millions)						
			1.1	1.2	1.3	1.4	1.5	1.6	1.7
OSEC	Office of the Secretary	9.5	1.3	1.3	1.4	1.3	1.3	1.3	1.4
	Homeland Security	60.4	8.5	8.5	9.1	8.5	8.5	8.5	9.1
	Gifts and Bequests	0.7	0.1	0.1	0.1	0.1	0.1	0.1	0.1
OCFO	OCFO	7.9	1.1	1.1	1.1	1.1	1.1	1.2	1.2
	Working Capital Fund	314.8	45.0	45.0	45.0	45.0	45.0	44.9	44.9
OCIO	OCIO	35.4	5.3	5.0	5.3	5.0	5.0	5.0	5.0
	CCE	63.1	-	13.3	-	-	-	24.6	25.2
DA	DA	51.3	7.2	7.2	7.7	7.2	7.2	7.2	7.7
	HMMG	21.3	-	4.7	0.2	-	-	16.4	-
	Buildings and Facilities	176.4	24.7	24.7	26.5	24.7	24.7	24.7	26.5
OC	OC	9.1	1.3	1.3	1.4	1.4	1.3	1.3	1.3
OIG	OIG	72.0	10.1	10.1	10.8	10.1	10.1	10.1	10.8
OGC	OGC	33.7	4.7	4.7	5.1	4.7	4.7	4.7	5.1
OCE	OCE	9.5	1.3	1.3	1.4	1.3	1.3	1.3	1.4
NAD	NAD	12.7	1.8	1.8	1.9	1.8	1.8	1.8	1.9
OBPA	OBPA	6.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0
ERS	ERS	70.2	14.0	8.4	3.5	2.1	19.7	7.0	15.4
NASS	Ag. Estimates and Research	100.2	95.2	-	-	5.0	-	-	-

Exhibit 55: Funding by Key Outcome

USDA FY 2002 Program Obligations									
Agency	Account	FY 2002 Program Obligations (\$ in Millions)	USDA Goal 1 Key Outcomes (\$ in Millions)						
			1.1	1.2	1.3	1.4	1.5	1.6	1.7
NASS	Census of Agriculture	25.8	-	25.8	-	-	-	-	-
Con'td	Trust Funds	0.5	0.5	-	-	-	-	-	-
ARS	ARS Salaries and Expenses	1,026.3	405.4	-	39.0	350.0	80.1	151.9	-
	Buildings and Facilities	55.5	20.9	-	20.4	7.0	2.3	4.8	-
	ARS-No Year Funds	11.0	4.3	-	0.4	3.8	0.9	1.6	-
	Miscellaneous Contributed Funds	20.3	8.0	-	0.8	6.9	1.6	3.0	-
	National Agricultural Library Misc. Contributed Funds	-	-	-	-	-	-	-	-
	Collaborative Research w/ the New Independent States (AID) FY01-02	2.5	1.0	-	0.1	0.9	0.2	0.4	-
	Collaborative Research with the New Independent States (AID) FY02-03	-	-	-	-	-	-	-	-
	Concessions, Fees, Volunteer Service	0.1	-	-	-	-	-	-	-
CSREES	Integrated Activities	42.8	1.5	3.4	10.3	9.4	5.1	12.8	0.2
	Research and Education Activities	610.8	73.3	73.3	24.4	30.5	152.7	109.9	146.6
	Extension Activities	429.0	51.5	51.5	17.2	21.5	107.3	77.2	103.0
	Outreach for Socially Disadvantaged Farmers	-	-	-	-	-	-	-	-
	Native American Endowment Fund	1.5	0.2	0.2	0.1	0.1	0.4	0.3	0.3
APHIS	Salaries and Expenses	1,121.6	-	-	1,121.6	-	-	-	-
	Buildings and Facilities	10.6	5.3	-	5.3	-	-	-	-
	Misc. Trust Funds	25.6	-	-	25.6	-	-	-	-
FSIS	Salaries and Expenses	757.1	-	-	-	757.1	-	-	-
	(FSIS No Year Funds)	5.4	-	-	0.9	4.5	-	-	-
	Trust Funds	4.9	-	-	-	4.9	-	-	-
GIPSA	Salaries and Expenses	33.1	33.1	-	-	-	-	-	-
	Inspection and Weighing	34.3	34.3	-	-	-	-	-	-
AMS	Marketing Services	111.7	111.7	-	-	-	-	-	-
	Payments to States & Possessions	1.3	1.3	-	-	-	-	-	-
	Perishable Ag. Commodities Act	0.1	0.1	-	-	-	-	-	-

Exhibit 55: Funding by Key Outcome

USDA FY 2002 Program Obligations									
Agency	Account	FY 2002 Program Obligations (\$ in Millions)	USDA Goal 1 Key Outcomes (\$ in Millions)						
			1.1	1.2	1.3	1.4	1.5	1.6	1.7
AMS	Section 32 Funds for Strengthening Markets	803.5	803.5	-	-	-	-	-	-
Cont'd	Trust Funds	113.3	113.3	-	-	-	-	-	-
	Expenses, Refunds, Inspection & Grading of Farm Products	5.0	5.0	-	-	-	-	-	-
RMA	Administrative and Operating Expenses	73.7	-	73.7	-	-	-	-	-
	FCIC	3,845.5	-	3,845.5	-	-	-	-	-
FSA	Salaries and Expenses	1,374.7	12.1	374.4	-	-	-	120.8	867.5
	Dairy Indemnity Program	0.1	-	-	-	-	-	-	0.1
	Emergency Conservation Program	32.4	-	-	-	-	-	32.4	-
	State Mediation Grants	3.5	-	2.8	-	-	-	-	0.7
	Agriculture Conservation Program	5.7	-	-	-	-	-	5.7	-
	Conservation Reserve Program	-	-	-	-	-	-	-	-
	Rural Clean Water Program	-	-	-	-	-	-	-	-
	Ag. Credit Insurance Program Account	1,747.9	-	1,747.9	-	-	-	-	-
	Ag. Credit Insurance Liquidating Account	18.7	-	18.7	-	-	-	-	-
	Ag. Credit Insurance Direct Loan Financing Account	1,376.0	-	1,376.0	-	-	-	-	-
	Ag. Credit Insurance Guaranteed Loan Financing Account	198.4	-	198.4	-	-	-	-	-
	Ag. Resource Conservation Demo Direct Loan Financing Account	1.5	-	1.5	-	-	-	-	-
	Farm Storage Loan Program Financing Account	65.0	-	65.0	-	-	-	-	-
	Apple Loans Direct Loan Financing Account	5.0	-	5.0	-	-	-	-	-
	CCC Export Loans Program Account	223.0	-	223.0	-	-	-	-	-
	Commodity Credit Corporation	25,718.0	514.4	-	-	-	-	3,086.2	22,117.5
	P.L. 480 Direct Credit Financing Account	162.0	81.0	81.0	-	-	-	-	-
	P.L. 480 Liquidating Account	4.0	2.0	2.0	-	-	-	-	-
	Debt Reduction Financing Account	23.0	11.5	11.5	-	-	-	-	-
	P.L. 480 Title I Food for Progress, Financing Account	11.0	5.5	5.5	-	-	-	-	-
	Export Loans Program Account (fiscal year)	4.0	-	4.0	-	-	-	-	-

Exhibit 55: Funding by Key Outcome

USDA FY 2002 Program Obligations									
Agency	Account	FY 2002 Program Obligations (\$ in Millions)	USDA Goal 1 Key Outcomes (\$ in Millions)						
			1.1	1.2	1.3	1.4	1.5	1.6	1.7
FSA	Export Guarantee Financing Account	259.0	-	259.0	-	-	-	-	-
Cont'd	Guaranteed Loans Liquidating Account	-	-	-	-	-	-	-	-
	Emergency Boll Weevil Direct Loan Financing Account	-	-	-	-	-	-	-	-
	Emergency Boll Weevil Loan Program Account	-	-	-	-	-	-	-	-
	Farm Storage Facility Loans Program Account	1.0	-	0.8	-	-	-	-	0.2
NRCS	Conservation Operations	921.3	-	-	-	-	-	921.3	-
	Watershed Surveys and Planning	11.3	-	-	-	-	-	11.3	-
	Watershed and Flood Prevention Operations	210.0	-	-	-	-	-	210.0	-
NRCS	Resource Conservation and Development	49.0	-	-	-	-	-	49.0	-
	Rehabilitation of Aging Infrastructure	9.8	-	-	-	-	-	9.8	-
	Forestry Incentive Programs	10.1	-	-	-	-	-	10.1	-
	Farm Security and Rural Investment Programs	554.6	-	-	-	-	-	554.6	-
RD	Administrative Expenses	611.6	-	611.6	-	-	-	-	-
	Rural Community Advancement Program	1,288.6	-	1,288.6	-	-	-	-	-
RHS	Rural Housing Assistance Grants	41.4	-	41.4	-	-	-	-	-
	Rental Assistance Program	704.6	-	704.6	-	-	-	-	-
	Farm Labor Program Account	36.8	-	36.8	-	-	-	-	-
	Mutual and Self-Help Housing Grants	28.8	-	28.8	-	-	-	-	-
	Rural Housing Voucher Program	-	-	-	-	-	-	-	-
	Rural Housing Insurance Fund Program Account	834.1	-	834.1	-	-	-	-	-
	Rural Housing Insurance Fund Liquidating Account	489.2	-	489.2	-	-	-	-	-
	Rural Housing Insurance Fund Direct Loan Financing Account	2,226.6	-	2,226.6	-	-	-	-	-
	Rural Housing Insurance Fund Guaranteed Loan Financing Account	154.5	-	154.5	-	-	-	-	-
	Rural Community Facility Direct Loans Financing Account	494.9	-	494.9	-	-	-	-	-
	Rural Community Facility Guaranteed Loans Financing Account	6.3	-	6.3	-	-	-	-	-

Exhibit 55: Funding by Key Outcome

USDA FY 2002 Program Obligations									
Agency	Account	FY 2002 Program Obligations (\$ in Millions)	USDA Goal 1 Key Outcomes (\$ in Millions)						
			1.1	1.2	1.3	1.4	1.5	1.6	1.7
RBCS	EZ/EC Grants	13.2	-	13.2	-	-	-	-	-
	Rural EZ/EC Grants	8.2	-	8.2	-	-	-	-	-
	Rural Cooperative Development Grants	0.3	-	0.3	-	-	-	-	-
	National Sheep Industry Improvement Center	17.7	-	17.7	-	-	-	-	-
	Rural Development Loan Fund Program Account	-	-	-	-	-	-	-	-
	Rural Development Loan Fund Direct Loan Financing Account	46.8	-	46.8	-	-	-	-	-
	Rural Economic Development Loans Program Account	3.9	-	3.9	-	-	-	-	-
	Rural Economic Development Loans Liquidating Account	-	-	-	-	-	-	-	-
	Rural Economic Development Direct Loan Financing Account	20.9	-	20.9	-	-	-	-	-
	Rural Economic Development Grants	2.6	-	2.6	-	-	-	-	-
	Rural Business & Industry Direct Loans Financing Account	6.8	-	6.8	-	-	-	-	-
	Rural Business & Industry Guaranteed Loans Financing Account	123.8	-	123.8	-	-	-	-	-
RUS	Rural Electrification and Telecommunications Loans Program Account	76.1	-	76.1	-	-	-	-	-
	Rural Electrification and Telecommunications Loans Liquidating Account	1,064.0	-	1,064.0	-	-	-	-	-
	Rural Electrification and Telecommunications Loans Direct Financing Account	5,322.7	-	5,322.7	-	-	-	-	-
	Rural Electrification and Telecommunications Loans Guaranteed Financing Account	-	-	-	-	-	-	-	-
	Rural Telephone Bank Program Account	11.2	-	11.2	-	-	-	-	-
	Rural Telephone Bank Liquidating Account	22.5	-	22.5	-	-	-	-	-
	Rural Telephone Bank Direct Loan Financing Account	200.6	-	200.6	-	-	-	-	-
	Rural Development Insurance Fund Liquidating Account	265.4	-	265.4	-	-	-	-	-
	Rural Communication Development Fund Liquidating Account	2.8	-	2.8	-	-	-	-	-
	Rural Water & Waste Disposal Direct Loans Financing Account	1,456.5	-	1,456.5	-	-	-	-	-
	Rural Water & Waste Disposal Guaranteed Loans Financing Account	0.1	-	0.1	-	-	-	-	-
	Distance Learning and Telemedicine Program Account	30.8	-	30.8	-	-	-	-	-
	Distance Learning and Telemedicine Direct Loan Financing Account	99.0	-	99.0	-	-	-	-	-
	Local Television Loan Guarantee Program Account	2.0	-	2.0	-	-	-	-	-
Local Television Loan Guarantee Financing Account	-	-	-	-	-	-	-	-	

Exhibit 55: Funding by Key Outcome

USDA FY 2002 Program Obligations									
Agency	Account	FY 2002 Program Obligations (\$ in Millions)	USDA Goal 1 Key Outcomes (\$ in Millions)						
			1.1	1.2	1.3	1.4	1.5	1.6	1.7
RUS (Cont'd)	High Energy Cost Grants	-	-	-	-	-	-	-	-
FAS	Foreign Agricultural Services and General Sales Manager	197.1	197.1	-	-	-	-	-	-
	P.L. 480 Title I Subsidy	239.0	239.0	-	-	-	-	-	-
	P.L. 480 Title I Ocean Freight Differential Grants	28.0	28.0	-	-	-	-	-	-
	P. L. 480 Title II	1,014.0	1,014.0	-	-	-	-	-	-
FNS	Food Program Administration	131.0	-	-	-	-	131.0	-	-
	Food Stamp Program	22,017.0	-	-	-	-	22,017.0	-	-
	Child Nutrition Program	10,341.0	-	-	-	-	10,341.0	-	-
	WIC	4,480.0	-	-	-	-	4,480.0	-	-
	Commodity Assistance	174.0	-	-	-	-	174.0	-	-
	Food Donations	152.0	-	-	-	-	152.0	-	-
FS	Capital Improvement and Maintenance	469.2	-	-	-	-	-	469.2	-
	Forest and Rangeland Research	277.9	-	-	-	-	-	277.9	-
	State, Private and International Forestry	282.2	-	-	-	-	-	282.2	-
	Wildland Fire Management	2,197.0	-	-	-	-	-	2,197.0	-
	National Forest System	1,389.9	-	-	-	-	-	1,389.9	-
	Range Betterment Fund	2.0	-	-	-	-	-	2.0	-
	Management of National Forest Lands for Subsistence Uses	5.9	-	-	-	-	-	5.9	-
	Land Acquisition Accounts	218.7	-	-	-	-	-	218.7	-
	Other Accounts	0.6	-	-	-	-	-	0.6	-
	Permanent Appropriations	220.2	-	-	-	-	-	220.2	-
	Trust Funds	44.7	-	-	-	-	-	44.7	-
Totals By Key Outcome			4,000.4	24,303.6	1,389.7	1,315.8	37,777.2	10,641.5	23,396.3
USDA Total		102,824.6							

INSPECTOR GENERAL ACT AMENDMENTS OF 1988 MANAGEMENT'S REPORT ON FINAL ACTION (AUDIT FOLLOW-UP)

Highlights

During FY 2002, USDA agencies completed corrective actions on 107 audits. USDA began the year with 246 audits that had reached management decision and added an additional 87 audits during the year. By the end of FY 2002, the total audit inventory was 226 (including 11 audits in appeal status). This represents an eight percent decrease in the audit inventory as compared to the previous fiscal year. Over the past four years, our audit inventory has declined by over ten percent.

Introduction

The Office of the Chief Financial Officer (OCFO) is responsible for audit follow-up at USDA. USDA continues to improve oversight and timeliness of resolved audits by:

- Closely monitoring agencies' activities to address audit findings and
- Working with agencies and the Office of Inspector General (OIG) to identify and resolve issues that affect timely completion of corrective actions.

The Inspector General Act Amendments of 1988 require reporting on audit reports that remain open more than one year past the date of management decision. The report must include:

- Beginning and ending balances for the number of audit reports and dollar value of disallowed costs (DC) and funds to be put to better use (FTBU);
- The number of new management decisions (MD) reached;
- The disposition of audits with final action; and
- For each audit report, the date issued, dollar value, and an explanation of why final action has not been taken. For audits that are in formal administrative appeal or legislative solution, reporting may be limited to the number of affected audits.

Audit Follow-up Process

Audit follow-up is a process used to ensure prompt and responsive action is taken once management decision has been reached on recommendations contained in final audit reports. USDA agencies are required to prepare combined time-phased implementation plans and interim progress reports for all audits that remain open one or more years beyond the management decision date. Time-phased implementation plans are submitted at the end of each semiannual period, and are updated to include new audits being reported for the first time. These plans contain corrective action milestones for each recommendation, and corresponding estimated completion dates.

Agencies also provide interim progress reports on the status of corrective action milestones listed in the time-phased implementation plan. Interim reports are produced quarterly. These reports show incremental progress toward completion of planned actions, changes in planned actions, actual or revised completion dates, and explanations for any revised dates. Exhibit 56 provides definitions for the terms used in this section.

Exhibit 56: Definitions

Disallowed Cost	A questioned cost that management sustains or agrees is not chargeable to the government.
Final Action	The completion of all actions that management has concluded are necessary in its management decision with respect to the findings and recommendations included in an audit report; and in the event that management concludes no action is necessary, final action occurs when a management decision is made.
FTBU	A recommendation by OIG that funds could be used more efficiently if management took actions to implement and complete the recommendation, including: <ul style="list-style-type: none"> • reductions in outlays; • deobligation of funds from programs or operations; • withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; • costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee; • avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or • any other savings, which are specifically identified.
Management Decision	Management's evaluation of the audit findings and recommendations and the issuance of a final decision by management concerning its response to the findings and recommendations, including necessary actions and an estimated completion date.
Questioned Cost	A cost OIG questions for the following: <ul style="list-style-type: none"> • an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; • a finding that, at the time of the audit, the cost is not supported by adequate documentation; or • a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Resolved Audit Inventory

Resolved audits are those audits where management decision has been reached on all recommendations in the audit report.

At the beginning of the fiscal year, USDA agencies and OIG had reached management decision on all recommendations in 246 audits. During the fiscal year, management decision was reached on an additional 87 audits. Management completed corrective actions on 107 audits. At the end of the fiscal year, the total resolved audit inventory is 226, which includes 11 audits in appeal status. This represents an eight percent decrease in the audit inventory as compared to the previous fiscal year. Exhibit 57 shows the decreasing trend in our audit inventory over the past four years.

Exhibit 57: Decrease in Total Resolved Audit Inventory

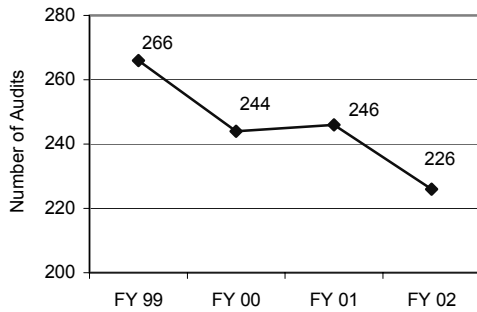
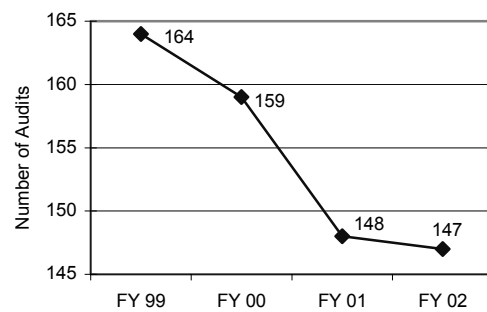


Exhibit 58: Decrease in Reportable Audits



The number of reportable audits (audits with management decision but without final action one or more years past the management decision date) has decreased slightly, by one percent. However, there were an

additional 17 audits scheduled for completion by September 30, 2002, but final action documentation was not received and evaluated in time to meet this year's reporting deadline. These audits will be considered in the next reporting period. Exhibit 58 on the previous page shows that the number of reportable audits has decreased by over ten percent over the past four years.

Beginning and Ending Inventory for Audits With Disallowed Costs and Funds to Be Put to Better Use

Exhibits 59 and 60 show the disposition of monetary amounts for audits that achieved final action and the audit inventory balances for disallowed costs and funds to be put to better (FTBU) use amounts only.

Of the 107 audits that achieved final action during the period, 49 audits contained disallowed costs. The number of disallowed costs audits remaining in the inventory at the end of the period is 111 with a monetary value of \$126,636,309.

Final action occurred on 22 audits that involved FTBU amounts. We project more efficient use for 95 percent of the amount identified, based on the corrective actions implemented.

The number of FTBU audits remaining in the inventory at the end of FY2002 is 45 with a monetary value of \$586,962,365.

Adjustments to Disallowed Costs

For audits with disallowed costs DC that achieved final action, the amount OIG and management agreed to collect totaled \$13,468,226. However, adjustments totaling \$11,932,657 (representing 89 percent of the total) were made for the following reasons: 1) changes in management decision, 2) legal decisions, 3) write-offs, 4) USDA agencies' ability to provide sufficient documentation to substantiate disallowed costs, 5) agency discovery, and 6) appeals.

Exhibit 61 shows the distribution of adjustments by reason and dollar amount.

Reportable Audit Statistics by USDA Agency

Reportable audits are separated into three groups:

Exhibit 59: Inventory of Audits With Disallowed Costs

Disallowed Costs	# of Audits	Dollar Amounts
Beginning balance	126 ¹	\$110,383,334
Plus: New MDs	34	\$29,721,201
Total audits pending	160	\$140,104,535
Adjustments		(\$11,932,657)
Revised Subtotal	160	\$128,171,878
Less: Final Actions	49	
Disallowed costs recovered		(\$1,535,569) ²
Audits Pending Final Action at the End	111	\$126,636,309

¹Balance adjusted to remove 10 audits with questioned costs but no recovery recommended.

²This amount does not include \$138,301 of interest collected.

Exhibit 60: Inventory of Audits With Funds to be Put to Better Use

Funds to be Put to Better Use	# of Audits	Amount
Beginning balance	53	\$489,473,051
Plus New MDs	14	\$166,313,900
Total Audits Pending	67	\$655,786,951
Less: Final Actions	22	
Funds to be put to better use:		
FTBU implemented		(\$65,419,364)
FTBU not implemented		(\$3,405,222)
Total FTBU amounts		(\$68,824,586)
Audits Pending at the end of the Period	45	\$586,962,365

Exhibit 61: Distribution of Adjustments to Disallowed Cost

Category	Amount
Change in Management Decision	\$3,871,431
Legal Decision	\$3,517,686
Write Off	\$2,899,893
Agency Documents	\$1,466,700
Agency Discovery	\$(4,101)
Appeal	\$181,048

- Audits that are without final action, but for which corrective action is continuing as planned and deemed to be on schedule;
- Audits behind schedule which have missed their original estimated completion dates; and
- Audits for which all administrative actions have been completed and the only action remaining is the collection of disallowed costs. Exhibit 62 shows the distribution of the 147 audits included in this report, by responsible USDA agency.

Exhibit 62: Distribution of Audits by USDA Agency (In U.S. dollars)

Agency	Audits On Schedule			Audits Behind Schedule			Audits Under Collection		
	No.	DC	FTBU	No.	DC	FTBU	No.	DC	FTBU
APHIS	1	-	-	2	-	-	4	8,891,635	-
DA	1	-	-	2	193,973	249,866	-	-	-
FNS	-	-	-	13	612,318	72,397,246	6	6,364,710	-
FS	5	-	-	21	1,350,000	70,269,210	-	-	-
FSA	1	921,386	-	7	516,526	208,043,386	31	14,682,745	335,002
FSIS	-	-	-	3	\$0	-	-	-	-
NASS	-	-	-	1	\$0	-	-	-	-
NRCS	1	-	2,970,003	-	\$0	-	1	21,033,708	-
OCFO	-	-	-	5	101,027	-	-	-	-
OCIO	-	-	-	2	-	-	-	-	-
RBS	-	-	-	4	150,000	100,000	-	-	-
RD	-	-	-	1	-	-	-	-	-
RHS	1	1,034,459	11,896,622	16	141,680	38,237,777	-	-	-
RMA	-	-	-	9	69,217	23,818	6	1,696,503	13,264,866
RUS	-	-	-	2	-	-	1	35,118	-
Totals	10	1,955,845	14,866,625	88	3,134,741	389,321,303	49	52,704,419	13,599,868

Reportable audits (excluding the 49 that are pending collections only) are individually listed in Exhibit 63 and are categorized by the reason final action has not occurred. These audits are pending:

- Issuance of policy/guidance,
- Conclusion of investigation, negotiation, or administrative appeal,
- Receipt and/or processing of final action documentation,
- Systems development, implementation or enhancement,
- Results of internal monitoring or program review,
- Results of agency request for change in management decision,
- Office of General Counsel (OGC) or OIG advice,
- Conclusion of external action, and
- Administrative action.

Audits previously reported to Congress are identified in Exhibit 63 by the placement of an asterisk after the audit number.

Exhibit 63: Audits One Year or More Past the Management Decision Date

Audits	Date Issued	Estimated Completion Date	Audit Title	Monetary Amount	
				DC (U.S. dollars)	FTBU (U.S. dollars)
(33) Pending issuance of policy/guidance					
03601-15-KC	03/31/00	04/30/03	FSA Emergency Conservation Program	12,583	2,794,586
03601-36-TE*	06/08/00	02/28/03	FSA Farm Loan Program Guaranteed Loans	-	205,248,800
04099-1-HQ*	02/01/96	06/30/03	RHS Legislative Proposals to Strengthen the Rural Rental Housing Program	-	-
04600-5-KC*	9/30/93	06/30/03	RHS Rural Rental Housing Program, Servicing of HUD Section 8/515 Projects	-	4,815,119
04600-47-CH*	9/30/94	06/30/03	RHS Rural Rental Housing Program, Management Operations	-	-
04601-1-KC*	12/16/96	06/30/03	RHS Rural Rental Housing Program, Additional Servicing of Section 8/515 Projects	65,910	33,147,535
04801-4-CH*	02/12/99	07/31/03	RHS Evaluation of Rural Rental Housing Tenant Income Verification Process	-	-
05600-4-TE*	09/30/93	02/28/03	RMA FCIC Crop Year 1991 Claims	-	-
05601-5-TE*	03/15/99	12/31/03	RMA Prevented Plantings of 1996 Insured Crops	69,217	23,818
08002-2-SF*	11/28/00	09/30/02	FS Valuation of Lands Acquired in Congressionally Designated Areas	-	-
08003-2-SF*	08/05/98	09/30/02	FS Toiyabe/Humboldt National Forest Land Adjustment Program	-	27,900,000
08003-6-SF*	07/14/00	09/30/02	FS Zephyr Cove Land Adjustment	1,350,000	18,700,000
08099-146-SF*	05/05/94	10/30/02	FS Influence of Interest Groups on Timber Sales Management	-	-
08401-9-AT	02/25/00	12/30/02	FS FY 1999 Financial Statements	-	-
08601-1-AT*	03/29/96	06/30/03	FS Hazardous Waste at Active or Abandoned Mines	-	1,950,000
08601-5-SF*	09/30/93	09/30/03	FS Graduated Rate Fee System	-	3,617,616
08601-7-SF*	05/23/95	10/01/02	FS Controls Over Research Services Provided to External and Forest Service Clients	-	5,024,245
08801-6-SF*	01/19/00	09/30/02	FS Land Adjustment Program San Bernadine National Forest & South Zone	-	-
08801-13-AT*	03/31/00	10/01/02	FS National Fire Cache System	-	-
23099-1-FM*	3/30/00	10/31/02	OCIO Security Over Data Transmission in the Department Needs Improvement	-	-
27010-11-CH*	08/25/97	09/30/04	FNS National School Lunch Program Verification of Applications in Illinois	-	31,200,000
27099-13-SF*	03/23/01	10/15/02	FNS Appeal Process	-	-
27600-6-AT*	03/31/95	06/30/03	FNS Day Care Homes Nationwide	-	-
27601-3-CH*	03/22/96	06/30/03	FNS Food Stamp Program—Disqualified Recipient System	-	-
27601-7-SF	08/23/99	06/30/03	FNS Presidential Initiative: Operation Kiddie Care	-	34,551,576
33004-1-AT	03/07/00	03/31/03	APHIS Plant Protection and Quarantine Activities in Florida	-	-
33601-1-CH*	06/28/96	12/31/02	APHIS Licensing of Animal Exhibitors	-	-
34001-1-HQ*	12/17/96	12/31/02	RBS Minority Enterprise Financial Acquisition Corp., Cooperative Agreement, Kansas City, KS	150,000	100,000
34601-1-HY*	07/22/98	10/31/02	RBS Business and Industry Loan Program—Morgantown, West Virginia	-	-
50099-1-AT*	01/13/95	09/30/02	OCFO Use of Cooperative Agreements	-	-
50601-2-CH	03/30/01	03/31/03	RD Verification of the Government Performance and Results Act – Program Performance in Rural Development	-	-
50801-3-HQ*	09/29/97	10/31/03	FSA Minority Participation in FSA's Farm Loan Program	-	-
50801-11-TE	09/29/00	09/30/02	OCFO Advances to Nonprofit Organizations for Grants/Cooperative Agreements	73,768	-
(11) Pending conclusion of investigation, negotiation or administrative appeal					
03006-17-AT*	07/24/96	09/30/03	FSA Disaster Assistance Program Crop Year 1999, Kenansville, NC	921,386	-
03801-15-TE*	03/29/96	10/31/02	FSA Texas Agricultural Mediation Program	503,943	-

Exhibit 63: Audits One Year or More Past the Management Decision Date

Audits	Date Issued	Estimated Completion Date	Audit Title	Monetary Amount	
				DC (U.S. dollars)	FTBU (U.S. dollars)
04010-5-CH*	12/20/95	12/31/03	RHS Rural Rental Housing Program, Croix Management—Taylor Falls, MN	17,243	-
04099-1-HY*	11/07/95	02/28/03	RHS Rural Rental Housing Program, Whistleblower Complaint, San Juan, PR	-	-
04601-7-SF*	08/03/00	09/30/02	RHS Rural Housing Service, Farm Labor Housing Program State of Florida	16,745	-
04801-6-HY*	03/17/99	12/31/02	RHS Rural Rental Housing Program, Lewiston Properties, Fayetteville, NY	-	-
04801-9-SF*	01/27/99	12/30/03	RHS Rural Rental Housing Program—DBSI Realty Corporation, Boise, ID	8,794	20,850
05099-2-KC*	07/14/98	07/31/03	RMA Quality Control for Crop Insurance Determinations	-	-
23801-1-HQ*	08/20/98	03/31/03	DA Review of Office of Operations Contract with B&G Maintenance, Inc.	-	249,866
27010-19-SF*	11/18/99	TBD	FNS Summer Food Service Program—Smart Start Food Program	468,752	499,860
34004-5-HY*	02/18/00	12/31/02	RBS Audit of Procurement Operations, Virginia State Office, Richmond, Virginia	-	-
(12) Pending receipt and/or processing of final action documentation					
04004-1-AT	08/30/01	03/31/03	RHS Williamsburg Enterprise Community	20,259	-
05099-8-KC*	03/31/00	12/31/02	RMA Standard Reinsurance Agreement Reporting Requirements	-	-
08099-47-AT*	12/15/93	09/30/02	FS Management Report	-	-
08601-4-AT*	03/31/98	12/30/02	FS Wildlife and Fisheries Habitat	-	148,049
08801-3-AT	09/30/96	09/30/02	FS Real and Personal Property Issues	-	-
08801-3-SF*	06/16/00	12/30/02	FS Review of the Confidential Financial Disclosure System	-	-
09401-5-HQ	04/05/01	11/29/02	RUS FY 2000 Rural Telephone Bank Management Issues	-	-
24601-1-CH*	06/21/00	09/30/02	FSIS Food Safety and Inspection Service Laboratory Testing of Meat and Poultry Products	-	-
24601-1-FM	04/04/01	12/30/02	FSIS Review of FSIS Staffing and Budget Management	-	-
24601-4-AT*	06/21/00	09/30/02	FSIS District Enforcement Operations Compliance Activities	-	-
50020-14-CH	10/02/00	10/31/02	RBS Single Audit of Leech Lake Reservation, Special Revenue Fund	-	-
50099-3-TE	07/20/01	09/30/02	NRCS Grants/Agreements with the National Fish and Wildlife Foundation	-	2,970,003
(17) Pending systems development, implementation, or enhancement					
03099-32-KC*	12/22/99	09/30/03	FSA Controls Over Administrative Payment Operations	-	-
04099-72-FM*	09/28/90	10/31/02	RHS Collection Systems and Other Selected Areas	313	254,273
08099-37-AT*	08/24/92	12/30/02	FS FY 91 Financial Statements	-	-
08099-42-AT*	08/03/93	09/30/02	FS FY 92 Financial Statements	-	-
08099-49-AT*	06/10/94	09/30/02	FS FY 93 Financial Statements	-	-
08401-1-AT*	06/20/95	09/30/02	FS FY 94 Financial Statements	-	-
08401-4-AT	07/18/96	09/30/02	FS FY 1995 Financial Statements	-	-
08401-7-AT	07/13/98	12/30/02	FS FY 1997 Financial Statements	-	-
08401-8-AT	02/23/99	12/30/02	FS FY 1998 Financial Statements	-	-
09600-5-HQ*	04/06/92	09/30/03	RUS FY 1991 Management Letter	-	-
27099-4-KC*	01/31/00	03/31/04	FNS Food Stamp Program Participation by Disqualified Retailers	-	-
27099-18-HY	09/05/01	06/30/03	FNS Security Over Information Technology Resources	-	-
27601-8-CH*	01/21/97	03/31/04	FNS Food Stamp Program—Retailer Monitoring with Store Tracking and Redemption Subsystem	-	-
50099-11-FM*	03/25/98	07/31/04	OCFO Review of Controls in the Payroll/Personnel and T&A Systems	27,259	-

Exhibit 63: Audits One Year or More Past the Management Decision Date

Audits	Date Issued	Estimated Completion Date	Audit Title	Monetary Amount		
				DC (U.S. dollars)	FTBU (U.S. dollars)	
50601-3-CH	07/23/01	12/30/03	APHIS Assessment of APHIS & FSIS Inspection Activities to Prevent the Entry of Foot and Mouth Disease	-	-	
50401-21-FM*	05/29/98	09/30/06	RHS Audit of the Rural Development Consolidated Financial Statements for FY 1996	-	-	
50601-8-KC*	01/25/00	03/31/03	FSA Conservation Reserve Program Acreage Enrollments—Signup 18	-	-	
(13) Pending results of internal monitoring or program review						
03099-14-KC*	08/12/96	10/31/03	FSA Grain Warehouse Examination Process	-	-	
04601-8-SF*	01/12/00	05/31/03	RHS Farm Labor Housing Program—State of Washington	6,015	-	
05099-1-KC*	03/03/98	04/30/05	RMA Transfer of Catastrophic Risk Protection Policies to Reinsured Companies	-	-	
05099-1-TE*	09/30/97	10/31/03	RMA Reinsured Companies Actual Production History Self-Reviews	-	-	
05099-6-KC*	09/30/99	04/30/05	RMA Servicing of Catastrophic Risk Protection Policies	-	-	
05600-1-TE*	09/28/89	10/31/03	RMA Crop Year 1988 Insurance Contracts with Claims	-	-	
08001-1-HQ*	06/28/00	09/30/03	FS Implementation of the Government Performance and Results Act	-	-	
08601-25-SF	06/22/01	12/30/03	FS Working Capital Fund Enterprise Services	-	2,600,000	
08801-4-TE*	02/15/98	09/30/03	FS Collection of Royalties on Oil and Gas Production	-	-	
26099-1-FM	05/14/01	09/30/03	NASS Security of NASS Information Technology Resources	-	-	
27401-8-HY*	06/27/97	09/30/05	FNS FY 1996 Financial Statements	-	-	
27601-6-KC*	06/18/97	09/30/03	FNS Food Distribution Program on Indian Reservations	41,898	6,145,810	
50801-2-HQ	02/27/97	09/30/04	DA Evaluation Report for the Secretary on Civil Rights Issues (Phase 1)	-	-	
(3) Pending results of request for change in management decision						
50099-2-HQ*	07/11/96	10/31/02	DA Review of USDA Contracts with Synex, Inc.	193,973	-	
50099-28-FM*	07/18/00	10/31/02	OCIO President's Council on Integrity and Efficiency Critical Infrastructure Protection Review	-	-	
50401-35-FM	02/25/00	09/30/02	OCFO FY 1999 USDA Consolidated Financial Statements	-	-	
(1) Pending OGC or OIG advice						
05099-22-AT	01/31/94	12/31/02	RMA Tobacco Indemnity Payments— Mitchell County, Georgia	-	-	
(5) External Action Required						
04004-4-CH*	03/13/98	07/30/03	RHS Evaluation of Rural Rental Housing Tenant Income Verification Process in East Lansing, MI	6,401	-	
04801-5-KC*	11/02/98	03/01/03	RHS Rural Rental Housing Program, Brookview Management, Inc., St. Louis, MO	-	-	
08003-5-SF	12/15/00	06/30/03	FS Land Acquisitions and Urban Lot Management Lake Tahoe Basin Management Unit	-	10,329,300	
27099-9-HY*	12/14/99	03/31/03	FNS State Option Food Stamp Program	-	-	
50401-36-FM*	11/09/00	12/30/02	OCFO FY 1999 Working Capital Fund Consolidated Financial Statements	-	-	
(3) Pending Administrative Action						
04801-11-TE	09/23/99	TBD	RHS Calhoun Property Management—Mansfield, Louisiana	1,034,459	11,896,622	
08099-6-SF	03/27/01	12/30/02	FS Security Over USDA Information Technology Resources	-	-	
27010-20-SF	11/30/00	12/31/02	FNS Child and Adult Care Food Program State Oversight of Small, Independent Centers—California	101,668	-	
Total Number Audits (98)				Total \$	5,090,586	404,187,928

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT REPORT ON MANAGEMENT CONTROLS

Highlights

For the first time in more than ten years, USDA's Message From the Secretary provides reasonable assurance that the Department is in compliance with the objectives of both Section 2 and Section 4 of the FMFIA, except for the weaknesses described in Exhibit 67. A major achievement this year is the removal of the Central Accounting System as a material financial system nonconformance for the Department. As of September 30, 2002, all but two USDA agencies have been converted from the Central Accounting System to the Foundation Financial Information System (FFIS). For the remaining two agencies, the effective date of conversion was October 1, 2002. Based on the work performed during FY 2002 and prior years, the Department's integrated financial management system is compliant with the objectives of Section 4 of FMFIA.

There were no new material financial system nonconformances identified in FY 2002. Individual agencies identified material deficiencies and/or financial systems nonconformances, but these did not rise to the level of Departmental material deficiencies. Criteria are listed on page 94.

In FY 2002 USDA reduced the number of material deficiencies by almost half—a noteworthy achievement that reflects an improving environment of internal control. We began the year with 32 material deficiencies and closed it with 19 material deficiencies: 17 material weaknesses and two financial system nonconformances. Our FY 2003 goal is to reduce the remaining deficiencies by half and eliminate them in FY 2004.

Background

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to provide an assurance statement that Federal programs are operated efficiently and effectively; provide reasonable assurance that obligations and costs comply with applicable laws and regulations; Federal assets are safeguarded against fraud, waste and mismanagement; and transactions are accounted for and properly recorded. The law also requires a separate statement as to whether financial management systems conform to standards, principles, and other requirements to ensure that Federal managers have timely, relevant, and consistent financial information for decision-making purposes.

Under the Federal Financial Management Improvement Act (FFMIA) agencies are required to report whether financial management systems substantially comply with the federal financial management systems requirements, federal accounting standards, and the United States Government Standard General Ledger at the transaction level. If any agency is not in compliance with the FFMIA, a remediation plan to bring the agency's financial management systems into substantial compliance is required. The Department has a remediation plan to correct its material financial system nonconformances and FFMIA noncompliances. These plans are included in the FY 2002 Five-Year Financial Management Plan.

Management Controls Program

USDA's management controls program ensures compliance with the requirements of the FMFIA and the Office of Management and Budget (OMB) Circulars A-123, "Management Accountability and Control," and A-127 "Financial Management Systems."

Within USDA, Sub-cabinet Officials, Agency Heads, and Heads of Staff Offices are responsible for ensuring that their programs are operating efficiently, effectively, and in compliance with relevant laws; and that financial management systems conform to applicable laws, standards, principles, and related requirements. In conjunction with the Office of Inspector General, USDA's management works aggressively to determine the root causes of our material deficiencies and quickly remedy them. Under the leadership of the Office of the Chief Financial Officer, a new Management Controls Manual will be implemented during FY 2003 to institutionalize processes and aid in the early identification, detection and correction of internal control weaknesses.

USDA Guidelines for Reportable Material Weaknesses

A Departmental Material Weakness is a weakness in internal controls that satisfies one or more of the following criteria:

- Merits the attention of the Executive Office of the President and the relevant Congressional oversight committees.
- Violates statutory or regulatory requirements.
- Deprives the public of needed services.
- Significantly weakens safeguards against waste, loss, unauthorized use or misappropriation of funds, property or other assets.
- Significantly impairs fulfillment of the Department's mission.
- Results in a conflict of interest.
- Is of a nature that omission from the annual Report on Management Controls could reflect adversely on the actual or perceived management integrity of the Department.

A Departmental Material Financial System Nonconformance satisfies one or more of the following criteria:

- Merits the attention of the Executive Office of the President and the relevant Congressional oversight committees.
- Prevents USDA's primary financial management system from achieving central control over agency financial transactions and resource balances.
- Prevents compliance of the primary financial management system with standards published by the OMB circular A-127, which include the availability of timely, consistent, and relevant financial information for decision-making purposes.

Material Weaknesses and Nonconformances Reported in the FMFIA and FFMIA

The following summarizes a few of USDA's 19 material deficiencies. Exhibit 67 identifies the corrective actions planned for these and other material deficiencies.

Administration of the Food Stamp Program at State Agencies

The Food and Nutrition Service (FNS) Food Stamp Program national level error rate needs to be reduced. Over-issuance of program benefits results in a loss of program dollars while under-issuance results in eligible clients receiving less benefits than they are entitled to receive. FNS will continue to provide oversight to ensure that controls and error reduction strategies continue. Focus will remain on the development of error analysis and corrective actions for States with the greatest impact on the national error rate.

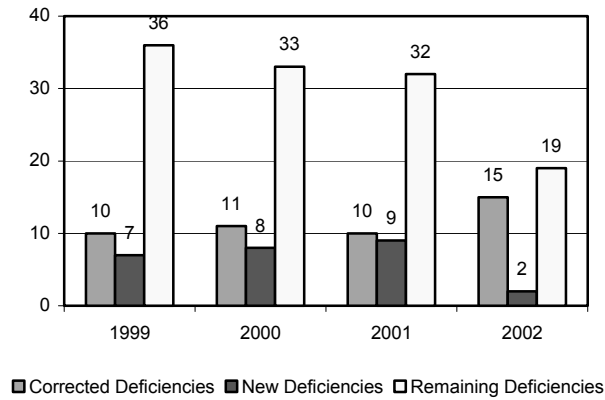
Adequacy of Financial Systems

The Forest Service (FS) financial accounting system lacks controls in the accounting and reporting sub-systems to ensure financial information is reliable and funds are adequately controlled. The FS will implement improvements identified as a result of the assessment of the fire activity business cycle. Additionally, FS will establish reconciliation procedures and revise financial management manuals and handbooks.

USDA Information Security Weakness

The Department’s ability to protect its assets from fraud, misuse, disclosure, and disruption needs strengthening. The Department, under the direction of the Office of the Chief Information Officer, will continue to develop policy, publish guidance and regulations, and provide training in the areas of information system risk assessment and mitigation, physical and logical access controls, disaster recovery and contingency planning, intrusion detection and response, certification and accreditation, and security awareness.

Exhibit 64: Material Deficiencies Decline by nearly 50%



Historical Data on Material Deficiencies

Exhibit 64 reflects the Department’s progress over the last four years in resolving material deficiencies. The Department has reduced the number of material deficiencies from a high of 36 in FY 1999 to 19 for FY 2002. This represents a 47 percent decrease in the number of outstanding material deficiencies reported over the past four years. The level of correction continues to exceed the number of new deficiencies reported.

Of the 32 material deficiencies reported last year, 15 or 47 percent were corrected or determined to be no longer material. Two new Section 2 material weaknesses were identified in FY 2002.

USDA continues to focus on correcting its longstanding weaknesses. Exhibit 66 shows that 8 or 53 percent of the corrected deficiencies were identified in 1999 or prior years. Of the 19 remaining material deficiencies, more than half are scheduled for completion in FY 2003.

Exhibit 65: Material Deficiencies Aging Analysis

Fiscal Year Identified	1999 and Prior	2000	2001	2002	Total
Beginning Balance FY 2002	16	7	9	-	32
Add: New Weaknesses Reported in FY 2002	-	-	-	2	2
Deduct: Completed or Deemed Nonmaterial in FY 2002	8	4	3	-	15
Pending Completion	8	3	6	2	19

Exhibit 66 identifies material deficiencies where corrective actions were completed or the weakness is deemed no longer material (as of the end of FY 2002).

Exhibit 66: Material Deficiencies Corrected or No Longer Material

Responsible Agency	Title of Material Deficiencies	Year Identified
FNS	Illegal Transactions Involving the Exchange of Food Stamps	1990
FS	Management and Use of Forest Resources	1992
	Internal Controls in the Contracting Area	1998
	Real Property Management Subsystem	1989
RD	Business Programs Compliance with All Applicable Civil Rights Laws, Executive Orders, and Program Requirements	2000
	Lack of and Effective System of Controls Over Performance Reporting	2001
	Lack of Controls in Place to Protect Alternative Agricultural Research and Commercialization Corporation Investment Portfolio	1999
OCFO	Adjustments and Reconciliations of Ledger Accounts at the National Finance Center	1996
	Financial Management Systems Do Not Meet Current Accounting Standards	2000
	Material Internal Control Problems Exist in the Accountability and Valuation of Personal Property in Working Capital Fund Activity Centers	2000
	FFIS Account Reconciliations	2001
	Controls Over Unliquidated Obligations	2001
OCIO	Departmental Financial Information System	1992
	Telecommunications and Network Planning	1995
	Weakness of Security Over Data-Transmission in USDA	2000

Exhibit 67: Summary of Outstanding Material Deficiencies and Estimated Completion Dates

Responsible Agency	Material Deficiency Description	Corrective Actions Remaining To Be Taken	Year Identified	Estimated Completion Date
Section 2 Material Weaknesses				
DA	USDA Agencies' Internal Controls Over the Purchase Card Management System (PCMS): Strengthen and improve internal controls over purchase card operations and better use the PCMS automated system.	Issue revised PCMS guidance and develop oversight queries. Complete deployment on upgraded PCMS software and provide training.	FY 2002	FY 2004
FNS	Management of the Food Stamp Program (FSP) Recipient Claims: Procedures for establishing, recording, adjusting and reporting on claims need strengthening.	Evaluate and monitor State agencies' (SA) procedures and systems for the establishment and reporting of claims for the Food Stamp Program.	FY 1991	FY 2005
	Administration of the FSP at State Agencies: Over issuance of program benefits results in a loss of program dollars while under issuance results in eligible clients receiving less benefits than they are entitled to receive. The rate of inaccurate benefit payments exceeds acceptable levels in some States.	Implement revised guidance and forms to improve States quality and control data coding and analysis. Implement monitoring process to allow for early identification and intervention of rising error rates in States.	FY 1991	FY 2003
	Management of the Child and Adult Care Food Program (CACFP): Management and monitoring of weaknesses in the CACFP need strengthening. Sponsoring organizations have been identified as receiving excessive Federal funding for meal service and administration.	Publish the CACFP management improvement regulations. Conduct management evaluations in approximately half of the CACFP SA's. Reassess, revise, and implement training on final regulations.	FY 1994	FY 2004

Exhibit 67: Summary of Outstanding Material Deficiencies and Estimated Completion Dates

Responsible Agency	Material Deficiency Description	Corrective Actions Remaining To Be Taken	Year Identified	Estimated Completion Date
FNS (Cont'd)	National School Lunch (NSL) and Breakfast Program Eligibility: Data indicate a problem with the integrity of household eligibility determination for free and reduced price meals.	Develop and implement legislative provisions requiring State Agencies to collect and report on data verification activities to FNS.	FY 1999	FY 2004
	Procurement in the Child Nutrition Program: Improper procurement of goods and services have been found to occur in the NSL, School Breakfast and CACFP, and Summer Food Service Programs.	Revise procurement guidance and evaluate its effectiveness against improper procurement of goods and services.	FY 2001	FY 2004
	Administrative Cost Reimbursements Made to Partner Agencies Operating Food Assistance Programs Under the Auspices of FNS: Assure that SA's operating Federal food assistance programs adhere to legislative, OMB, Departmental and program guidelines when claiming Federal reimbursement for program operations and Automated Data Processing (ADP) acquisitions.	Develop, implement, and evaluate the effectiveness of guidance on WIC cost allocations and ADP approval processes to ensure that cost reimbursement made to States are appropriate.	FY 2001	FY 2004
FS	Adequacy of Financial Systems: The financial accounting system lacks controls in the accounting and reporting subsystems to ensure financial information is reliable and funds are adequately controlled.	Identify and implement improvements needed to ensure transactions are entered into FFIS timely. Develop reconciliation procedures for FFIS interfaces with subsidiary systems.	FY 1989	FY 2003
	Administration of Lands Special Use Permits: Lands Special Use Permits are not being administered to a standard consistent with law, regulations, or policy.	Complete solicitation, analysis and publication of comments on proposed revisions to categorical exclusions on Special Uses. Issue guidance to clarify agency policy for use by field units. Provide "Special Uses" training in every region. Publish and implement final rule for recovery of costs.	FY 1992	FY 2003
	Performance Reporting: The FS currently lacks effective internal controls over the quality of data included in the performance accomplishment report under GPRA.	Implement a new set of performance measures and use them as a tool to assess and report on agency performance.	FY 2000	FY 2004
	Timber Sale Environmental Analysis: Administrative controls over the analysis and preparation of environmental documents and implementation of mitigation measures applicable to timber sales have not been effective. Heritage resources, water quality, and threatened, endangered, or sensitive species and their habitat may be adversely affected.	Revise FS manual and handbooks for implementing the National Environment Policy Act (NEPA). Implement corrective actions detailed in the Administrative Control Plan. Identify existing and develop new training and tools for effective analysis of NEPA and Endangered Species Act documentation.	FY 2001	FY 2004
FSA	Reimbursement Claims Not Made for Excess Ocean Freight Payments: Unclaimed cargo preference reimbursements for costs incurred under the P.L. 480 food assistance programs administered by the U.S. Agency for International Development.	Work with the U.S. Agency for International Development (USAID) to reach an agreement on outstanding billing issues Bill and request reimbursements from the Department of Transportation—Maritime Administration and submit semi-annual apportionment requests to OMB, as needed.	FY 2001	FY 2003

Exhibit 67: Summary of Outstanding Material Deficiencies and Estimated Completion Dates

Responsible Agency	Material Deficiency Description	Corrective Actions Remaining To Be Taken	Year Identified	Estimated Completion Date
OCFO	USDA's Financial Statement Preparation is Not Timely or Reliable: OCFO uses manual processes to compile the statements. Additionally, the process is inadequately documented and results in additional delays to the audit. *	Design and implement data extraction and cross-walking functionality. Select and implement reporting tool for information delivery.	FY 2001	FY 2003
OCIO	USDA Information Security Weaknesses: Weaknesses have been identified in the Department's ability to protect its assets from fraud, misuse, disclosure, and disruption.	Improve controls in the Department's information security in the areas of risk assessment and mitigation, physical and logical access controls, disaster recovery and contingency planning, intrusion detection and response, certification and accreditation and security awareness.	FY 2000	FY 2003
	Information Security Weaknesses at the National Information Technology Center (NITC): Weaknesses in logical access controls, identifying vulnerabilities on systems, controlling access to its network from the Internet, and compliance with existing Federal security guidelines.	Identify NITC common resources requiring public internet access and migrate them to the Demilitarized Zone (DMZ), and encrypt all sensitive data transported in and out of the DMZ through securing services. Assist agencies in identifying resources needed to maintain their applications, and define the actions needed to bring systems into compliance with requirements.	FY 2001	FY 2003
	Security Weaknesses in USDA's Controls Over Website Content	Ensure that agencies have reviewed their websites and expunge any data considered to be sensitive. Finalize guidance on defining sensitive data to be excluded from all USDA web content, and work with USDA's OIG to address concerns on maintaining an inventory of agency websites.	FY 2002	FY 2003
RD	Oversight of the Multi-Family Housing Program (MFH): The MFH Program lacks adequate oversight and internal controls which has led to program abuse by program participants.	Publish Final Rule for Multi-Family Housing Loan Programs.	FY 1992	FY 2003
Section 4 Financial Management System Nonconformance				
RD	Direct Loan Servicing and Reporting Sub-system: Direct Loan Servicing and Reporting system not in compliance with OMB Circular A-127 "Financial Management Systems."	Complete incremental implementation of the Rural Utilities Loan Servicing System to replace legacy loan systems.	FY 1994	FY 2003
FSA	Report Systems: Foreign credit subsidiary and credit reform systems are not fully automated and integrated into the Commodity Credit Corporation's Core Accounting Foreign Credit Subsidiary and Credit System (CORE).	Implement new General Sales Manager System to interface directly with the CORE general ledger and replace the Financial Management System accounting structure in the APLUS System (P.L. 480) with the CORE accounting structure.	FY 2000	FY 2004

* On January 7, 2003, USDA obtained a clean audit report on the FY 2002 Financial Statements.